

# THE GOOD SHROOM CO.

**Management Discussion & Analysis – Quarterly Highlights**

**For the Quarter Ended**

**October 31, 2021**

## ***Effective Date: December 28, 2021***

Management's discussion and analysis – quarterly highlights (“MD&A - Quarterly Highlights”) outlines the financial position of The Good Shroom Co Inc. (the “Company”), formerly Cluny Capital Corp., for the quarter ended October 31, 2021. Teonan Biomedical Inc. (“Subsidiary”) is a wholly owned subsidiary of the Company as a result of a three-cornered amalgamation completed on April 15<sup>th</sup>, 2021. This document should be read in conjunction with the Financial Statements (unaudited) for the quarter ended October 31, 2021.

This discussion should not be considered all inclusive as it excludes changes that may occur in general economic, political and environmental conditions as well as in the future that may affect the Company. All dollar amounts are stated in Canadian dollars.

### **DESCRIPTION OF THE COMPANY AND OVERALL PERFORMANCE**

The Subsidiary develops, manufactures and sells instant wellness beverages. For the financial quarter ended October 31, 2021, the Company had one source of revenue generated from the production and sale of Teonan™ instant functional mushroom beverages. Sales of the Teonan beverages began in December 2019, direct to consumers, across North America via the its online stores and third-party platforms.

In November 2019, the Subsidiary was granted a micro-processing license (a “MPL”) from Health Canada which allowed it to develop a cannabidiol (CBD) infused beverage line, the Velada beverages, which also contain a blend of organic functional mushrooms similar to the Teonan brand of wellness beverages. The MPL must be amended to have the “activity of sale” added as a permitted activity before it can commence distribution and sales of the Velada beverage line to authorized retailers in Canada. The Company submitted its amendment, in October 2020, to Health Canada and it was obtained on June 16, 2021.

In September 2021, the Subsidiary completed development of its Nordique Royale hash brand, formulated following an analysis of Quebec's hash market to compete with the top selling products. Comprised of 3 SKUs to begin, the company will offer Le Choix du Nord, an oil enriched dark glossy and malleable hash; Afghan Gold, a dark matte textured hash; and Équilibré, an extra malleable and light flavoured hash with a THC:CBD ratio of 1:1.

On April 15, 2021 the Company became a publicly listed corporation under the policies of the TSX Venture Exchange with a stock symbol of MUSH.

### **QUARTER END HIGHLIGHTS**

On September 1, 2021 the Company through its wholly owned cannabis licensed subsidiary was approved for general listing of its Velada brand cannabis products both online and in store in the province of Ontario. The accepted cannabis products will be offered starting January 2022.

On September 23, 2021 the Company, again through its wholly owned licensed cannabis subsidiary, was approved for listing of its Velada wellness beverage brand and additionally its Nordique Royale hash brand in the province of Quebec. The cannabis products are expected to become available for purchase prior to the end of the year.

In late September, the Subsidiary shipped an order of its Teonan beverages to EcoTrend Ecologics Ltd. ("EcoTrend"), a contracted Canadian distributor of wellness and specialty foods for the retail market. This represented Teonan's first substantial foray into the traditional brick and mortar sales channels. In the following months, EcoTrend is expected to distribute Teonan branded beverages to its clients across Canada.

### **Results from Operations**

Revenue was \$48,572 for the quarter ended October 31, 2021 compared to \$55,605 for the same quarter in the prior year. Cost of goods sold for the same period was \$46,046 compared to \$21,958 the prior year. The revenue for the quarter was primarily derived from online sales of the Teonan beverages with some sales derived from the first shipment to EcoTrend for distribution in retail stores throughout Canada.

The cost of goods sold were higher this quarter compared to last year as a result of promotional strategies employed to sell more product online. The latter was formulated by offering sample boxes of Teonan beverages, typically made available for sale, either for free or at deep discounts to incentivize online retailers to complete purchases. This was in parallel to a significant reduction in paid online marketing initiatives and selling expenses. The Subsidiary instead offered promotions to its existing client base via direct emails with some new client acquisition through a small paid campaign via Google advertising. The result was relatively similar sales to the prior year with increased cost of goods sold offset by a noticeable reduction in selling expenses (\$14,510 for quarter ended October 31, 2021 compared to \$26,366 for the same quarter in the prior year) and more importantly marketing costs (\$38,254 for the quarter ended October 31, 2021 compared to \$106,950 for the same quarter in the prior year).

### **Liquidity**

At October 31, 2021, the Company held assets of \$1,968,941 compared to \$2,299,624 of assets in the previous period ended July 31, 2021. The difference is primarily attributed to a decrease in cash as expected over the normal course of operations. The Company considers itself in a reasonable financial position with a cash position of \$1,298,141 at quarter end. The funds available are sufficient to support the company operations for at least the next 12-16 months if no further sales are incurred.

### **SUBSEQUENT EVENTS**

#### **First shipment to SQDC**

On December 23, 2021, the subsidiary will fulfill its first order to the Société Québécoise du Cannabis ("SQDC"), Quebec's only authorized retailer for cannabis with 81 operational stores and an online business model. The first purchase order is for \$178,905 including excise tax. Purchase orders, not of the same magnitude, are expected every week from the SQDC.

### **RELATED PARTY TRANSACTIONS**

#### **Transactions with key management and members of the Board of Directors**

The related party transactions are solely related to remuneration of key personnel, that is the President and Chief Executive Officer, Chief Financial Officer, and Chief Marketing Officer:

	<b>Quarter ended October 31, 2021</b>
Salaries of key personeel	\$132,280
Cargologan Inc.	\$6,168
Anik Gendron	\$6,843

### **Off-balance sheet arrangements**

There are no off-balance sheet arrangements as of October 31, 2021.

### **FORWARD-LOOKING STATEMENTS**

Forward-looking statements used in this MD&A - QUARTERLY HIGHLIGHTS are subject to various risks and uncertainties, most of which are difficult to predict and are generally beyond the control of the Company. If risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those expected, estimated or projected in this MD&A - QUARTERLY HIGHLIGHTS. Forward-looking statements in this document are not a prediction of future events or circumstances, and those future events or circumstances may not occur. Given these uncertainties, users of the information included herein, including investors and prospective investors are cautioned not to place undue reliance on such forward-looking statements.

Information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).