

**The Good Shroom Co Inc.
Consolidated Financial Statements
as at October 31, 2021
(unaudited)**

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The Good Shroom Co Inc.

Consolidated Statements of Comprehensive Loss

For the quarters ended October 31, 2021 and 2020

(In Canadian dollars)

	2021	2020
	\$	\$
Revenues	48,572	55,605
Cost of goods sold	46,046	21,958
Gross margin	2,526	33,647
Selling expenses	14,510	26,366
General and administrative expenses		
Salaries and employee benefits	123,612	77,774
Share-based compensation	26,042	38,194
Professional fees	63,528	93,590
Insurance	26,420	
Promotional	3,957	
Marketing and representation	38,254	106,950
Office expenses	1,679	515
Reporting issuer costs	16,951	
Subcontractors	30,237	1,495
Taxes and permits	5,247	
Interest and bank fees	4,917	3,760
Depreciation	15,142	14,383
Travel	3,310	
Other	585	637
	359,881	337,298
Operating loss	(371,865)	(330,017)
Financing expenses	2,580	44,718
Loss before income taxes	(374,445)	(374,735)
Current income taxes		653
Net loss and comprehensive loss	(374,445)	(375,388)
Basic and diluted earnings per share	(0.008)	(0.015)
Basic and diluted weighted average number of common shares outstanding	48,374,683	25,000,000

The accompanying notes are an integral part of the consolidated financial statements.

The Good Shroom Co Inc.

Consolidated Statements of Changes in Equity

For the quarters ended October 31, 2021 and 2020

(In Canadian dollars)

	Number	Share capital \$	Contributed surplus \$	Deficit \$	Total equity (deficiency) \$
Balance as at August 1, 2020	4,897,409	50,100	517,771	(665,391)	(97,520)
Share-based compensation			38,194		38,194
Transactions with owners	4,897,409	50,100	555,965	(665,391)	(59,326)
Net loss and comprehensive loss				(375,388)	(375,388)
Balance as at October 31, 2020	<u>4,897,409</u>	<u>50,100</u>	<u>555,965</u>	<u>(1,040,779)</u>	<u>(434,714)</u>
Balance as at August 1, 2021	48,374,683	10,550,833	1,968,344	(10,714,759)	1,804,418
Share-based compensation			26,042		26,042
Transaction with owners	48,374,683	10,550,833	1,994,386	(10,714,759)	1,830,460
Net loss and comprehensive loss				(374,445)	(374,445)
Balance as at October 31, 2021	<u>48,374,683</u>	<u>10,550,833</u>	<u>1,994,386</u>	<u>(11,089,204)</u>	<u>1,456,015</u>

The accompanying notes are an integral part of the consolidated financial statements.

The Good Shroom Co Inc.

Consolidated Statements of Financial Position

As at October 31, 2021 and July 31, 2021

(In Canadian dollars)

	October 2021 \$	July 2021 \$
ASSETS		
Current		
Cash	1,298,141	1,619,329
Term deposit, 0.4%, maturing in July 2022	70,000	70,000
Receivables	114,457	87,929
Inventories	164,201	186,887
Prepaid expenses	46,959	76,959
	<u>1,693,758</u>	<u>2,041,104</u>
Long-term		
Right-of-use asset	200,201	213,538
Equipment	43,177	44,982
	<u>243,378</u>	<u>258,520</u>
	<u>1,937,136</u>	<u>2,299,624</u>
LIABILITIES		
Current		
Trade and other payables	115,080	116,743
Current portion of lease liabilities	51,314	50,689
Due to an officer, 10% , payable on demand	50,000	50,000
Due to companies controlled by an officer, 10% , payable on demand	50,000	50,000
	<u>266,394</u>	<u>267,432</u>
Long-term		
Long-term debt	40,000	40,000
Deferred government assistance	20,000	20,000
Lease Liability	154,727	167,774
	<u>214,727</u>	<u>227,774</u>
	<u>481,121</u>	<u>495,206</u>
EQUITY		
Share capital	10,550,833	10,550,833
Contributed surplus	1,994,386	1,968,344
Deficit	<u>(11,089,204)</u>	<u>(10,714,759)</u>
	<u>1,456,015</u>	<u>1,804,418</u>
	<u>1,937,136</u>	<u>2,299,624</u>

On behalf of the Board,



Director



Director

The Good Shroom Co Inc.

Consolidated Statements of Cash Flows

For the quarters ended October 31, 2021 and 2020

(In Canadian dollars)

	October 31 2021	October 31 2020
	\$	\$
OPERATING ACTIVITIES		
Net loss and comprehensive loss	(374,445)	(375,388)
Adjustments for:		
Share-based compensation	26,042	38,194
Depreciation	15,142	14,383
Presumed interest on convertible debentures		14,934
Presumed interest on lease liability	2,577	3,177
Net change in working capital items	24,496	18,678
Cash flows from operating activities	(306,188)	(286,022)
INVESTING ACTIVITIES		
Acquisition of equipment		(11,603)
Cash flows from investing activities		(11,603)
FINANCING ACTIVITIES		
Repayment lease liabilities	(15,000)	(15,000)
Convertible debentures		285,000
Cash flows from financing activities	(15,000)	270,000
Net change in cash	(321,188)	(27,625)
Cash, beginning of period	1,619,329	504,530
Cash, end of period	1,298,141	476,905
Income taxes paid (received) during the period	-	(22,816)
Interests paid during the period	-	-

The Good Shroom Co Inc.

Notes to Consolidated Financial Statements

For the quarters ended October 31, 2021 and 2020

(In Canadian dollars)

1 - GOVERNING STATUTES, NATURE OF OPERATIONS AND CHANGE IN CORPORATE NAME

The Good Shroom Co Inc. (formerly Cluny Capital Corp.) ("TGSC") was incorporated under the Business Corporations Act (Ontario) on August 11, 2011. On April 14, 2021, TGSC filed a certificate of continuance to continue under the Canada Business Corporations Act. Prior to April 15, 2021, TGSC was listed on the TSX Venture Exchange (the "Exchange"), according to the provisions of Policy 2.4 of the TSX Venture Exchange Corporate Finance Manual.

On April 15, 2021, TGSC completed its qualifying transaction (the "Qualifying Transaction") pursuant to the rules and policies of the Exchange by amalgamation of a wholly-owned subsidiary with Teonan Biomedical Inc. ("Teonan"), as part of a three cornered amalgamation. TGSC and its subsidiary (collectively referred to as the "Company") produces and sells wellness beverages. The head office of the Company, which is also the main establishment, is located at 11 Beacon Street, Kirkland, Quebec, Canada, H9J 2E9.

With the completion of the Qualifying transaction and with the approval of the Board of Directors, the Company changed its name to The Good Shroom Co Inc. The shares of the Company are listed on the Exchange under the symbol "MUSH".

In November of 2019, the Company was granted a Micro-processing license ("MPL") by Health Canada (the "License"). The License allows the Company, under Seul CDB, to manufacture cannabis products in the form of edibles, including beverages, and to package and label the products. A MPL holder cannot sell finished cannabis products to consumers. In October 2020, Teonan filed the amendment to its License and support package with Health Canada and on June 17, 2021, the Company received confirmation that the activity of sale has been added to its License. During the year, the Company did not have any sales nor significant production activities related to this License.

2 - SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation and statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Company's financial statements have been prepared on the historical cost basis.

The financial statements were approved and authorized for issue by the Board of directors of the Company on December 20, 2021.

2.2 Functional and presentation currency

The financial statements are presented in Canadian dollars, which is also the functional currency of TGSC and its subsidiary.

The Good Shroom Co Inc.

Notes to Consolidated Financial Statements

For the quarters ended October 31, 2021 and 2020

(In Canadian dollars)

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Basis of consolidation

The Company's consolidated financial statements consolidate those of TGSC and its wholly-owned subsidiary Teonan Biomedical Inc. All entities have a reporting date of July 31. All transactions and balances between the entities are eliminated on consolidation, including unrealized gains and losses on transactions between companies. Where unrealized losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

2.4 Revenue recognition

Revenue arises mainly from the online sale of wellness beverages. To determine whether to recognize revenue, the Company follows a five-step process:

- 1) Identifying the contract with a customer;
- 2) Identifying the performance obligations;
- 3) Determining the transaction price;
- 4) Allocating the transaction price to the performance obligations;
- 5) Recognizing revenue when/as performance obligation(s) are satisfied.

Sales of products are recognized when control of the goods is transferred to the customer, which generally happens upon delivery to the customer.

2.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

2.6 Equipment

Equipment is stated at cost less accumulated depreciation and its impairment losses. Equipment is recognized at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management. Repairs and maintenance costs are charged to the statement of comprehensive loss during the year in which they are incurred.

The Good Shroom Co Inc.

Notes to Consolidated Financial Statements

For the quarters ended October 31, 2021 and 2020

(In Canadian dollars)

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Equipment (Continued)

Depreciation for equipment and computer equipment is charged against income over the estimated useful lives of the respective assets according to the straight-line method over a 10-year and 3-year periods respectively.

2.7 Impairment of equipment and Right-of-use assets

For the impairment assessment purposes, assets are grouped at the lowest levels for which they are largely independent cash flows ("cash-generating units" or "CGU"). As a result, some assets are tested individually for impairment, while others are tested at cash-generating unit level.

All assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable, except intangible assets with an indefinite useful life which are tested for impairment at least once a year and when events or changes in circumstances indicate that their carrying amount may not be recoverable.

An impairment loss equal to the amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount is recognized in profit or loss. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value-in-use. To determine the value in use, management makes estimates of future cash flows from each asset or cash-generating unit and determines an appropriate interest rate for the calculation of the present value of these cash flows.

The impairment loss is first recorded to the goodwill and then to any residual as a reduction of the individual asset or distributed in proportion to the assets of the CGU. With the exception of goodwill, assets are subsequently reassessed for indication that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the recoverable amount of a CGU exceeds its carrying amount.

2.8 Leases

The Company recognizes a right-of-use asset and a lease liability with respect to a lease on the date the underlying asset is available for use by the Company (hereafter "the commencement date").

The right-of-use asset is initially measured at cost, which includes the initial lease liabilities adjusted for lease payments on or before the commencement date, plus initial direct costs incurred and an estimate of all of the costs for dismantling and removing the underlying asset, less any lease incentives received.

The right-of-use asset is amortized over the shorter of the estimated useful life of the underlying asset or the lease term on a straight-line basis. Additionally, the cost of a right-of-use asset is reduced by any accumulated impairment losses and, as appropriate, adjusted for any remeasurement of the related lease liability.

The Good Shroom Co Inc.

Notes to Consolidated Financial Statements

For the quarters ended October 31, 2021 and 2020

(In Canadian dollars)

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Leases (Continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, calculated using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as its discount rate. The lease payments included in the lease liability include the following, in particular:

- Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable payments based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Lease payments relating to extension options that the Company is reasonably certain it will exercise.

The interest expense relating to lease liabilities is recognized in profit or loss using the effective interest method.

2.9 Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive loss or directly in equity. The calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not recognized at the time of initial recognition of goodwill or on initial recognition of an asset or liability, unless the transaction is a business combination or affects the tax or accounting profit.

Deferred tax assets or deferred tax liabilities are calculated, without discounting, at the tax rates that are expected to apply in their respective period of realization when they are enacted or substantively enacted by the end of the reporting period.

The deferred tax assets are recognized to the extent that the underlying fiscal loss or the deductible temporary difference will be used to offset future taxable income. Deferred tax liabilities are always recognized in full.

Deferred tax liabilities and deferred tax assets are offset only when the Company has the right and intention to offset current tax assets and liabilities from the same tax authorities.

Changes in deferred tax assets or deferred tax liabilities are recognized as revenue or deferred tax expense in profit or loss, unless they relate to items that were recognized directly in equity, in which case the related deferred tax is also recognized in equity.

The Good Shroom Co Inc.

Notes to Consolidated Financial Statements

For the quarters ended October 31, 2021 and 2020

(In Canadian dollars)

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. If the financial asset or liability is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's or liability's acquisition or origination. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

Financial assets and liabilities are offset, and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset:

<u>Financial assets and liabilities</u>	<u>Classification</u>
Cash	Amortized cost
Term deposit	Amortized cost
Receivables (excluding taxes receivable)	Amortized cost
Trade and other payables (excluding salaries payable)	Amortized cost
Due to an officer	Amortized cost
Due to companies controlled by an officer	Amortized cost
Long-term debt	Amortized cost
Convertible debentures	Amortized cost
Conversion options of the convertible debentures	Fair value through profit or loss (FVTPL)

Financial assets at amortized cost

Assets that are held for collection of their contractual cash flows where those cash flows represent solely payments of principal and interests. These assets are subsequently measured at amortized cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. Discounting is omitted where the effect of discounting is immaterial.

Financial liabilities at amortized cost

Financial liabilities at amortized cost are subsequently measured at amortized cost using the effective interest method.

The Good Shroom Co Inc.

Notes to Consolidated Financial Statements

For the quarters ended October 31, 2021 and 2020

(In Canadian dollars)

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial instruments (Continued)

Fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorised at FVTPL. Furthermore, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Impairment of financial assets

Impairment requirements use forward-looking information to recognize expected credit losses, i.e. the "expected credit loss (ECL) model". The Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (Stage 1);
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2);
- Financial assets that have objective evidence of impairment at the reporting date (Stage 3).

"12-month expected credit losses" are recognized for the first category, i.e. Stage 1, while "lifetime expected credit losses" are recognized for the second category, i.e. Stage 2.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade accounts receivable

Based on the Company's business model, expected credit losses over the life of the trade accounts receivable are considered immaterial since the potential for default at any time during the life of the financial instrument is deemed to be nil, based on past experience.

The Good Shroom Co Inc.

Notes to Consolidated Financial Statements

For the quarters ended October 31, 2021 and 2020

(In Canadian dollars)

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Foreign currency translation

Foreign currency transactions are translated into the functional currency of the Company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost.

2.12 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable or remote, unless it was assumed in the course of a business combination.

No provision has been recorded for the period presented.

2.13 Loss per share

Basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding conversion options, in the weighted average number of common shares outstanding during the year, if dilutive. Dilutive potential common shares are deemed to have been converted into common shares at the average market price at the beginning of the period or, if later, at the date of issue of the potential common shares. Details of conversion options that could potentially dilute earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive.

2.14 Equity

Share capital represents the amount received on the issuance of shares, less issuance costs, net of any underlying income tax benefit from these issuance costs. If shares are issued following the exercise of share options or warrants, this account also includes the charge previously accounted for the warrants and the share options within contributed surplus.

The Good Shroom Co Inc.

Notes to Consolidated Financial Statements

For the quarters ended October 31, 2021 and 2020

(In Canadian dollars)

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Equity (Continued)

The funds from unit placement are allocated between shares and warrants using the relative fair value method. The fair value of the common shares is recognized in equity based on the share price at the date of issue. The fair value of the warrants is determined using the Black-Scholes valuation model.

Other components of equity

Deficit includes all current and prior years' retained profits or losses. Contributed surplus includes additional contributions by existing shareholders as well as charges related to share options and warrants, if any.

2.15 Segment reporting

The Company has one operating segment, which is the production and sale of wellness beverages. All the assets are in Canada.

2.16 Grants

Grants are recognized as a reduction of the related expenses or assets. The Company records these grants when there is a reasonable assurance that they will be received and the Company will comply with the conditions associated to them.

2.17 Share-based compensation

The Company has granted a share-based compensation plan.

All goods and services received in exchange for the grant of any share-based compensations are measured at their fair value, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, it must measure their value indirectly by reference to the fair value of the equity instruments granted. For transactions with employees and parties providing similar services, the Company evaluated the fair value of services received by reference to the fair value of the equity instruments granted.

All share-based compensation is ultimately recognized as an expense in profit or loss equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of shares expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. is made to any expense recognized in prior periods.

The Good Shroom Co Inc.

Notes to Consolidated Financial Statements

For the quarters ended October 31, 2021 and 2020

(In Canadian dollars)

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, several new, but not yet effective, standards, amendments to existing standards and interpretations have been published. None of these standards or amendments to existing standards have been adopted early by the Company.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

3 - JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

When preparing the financial statements, management makes a number of judgements estimates and assumptions about the recognition and measurement of assets, liabilities, revenues and expenses. Actual results may differ from judgements, estimates and assumptions made by management and are seldom equal to the estimated results. These estimates are reviewed periodically and when adjustments become necessary, they are recorded in earnings in the year they become known. Information on judgements, estimates and assumptions that have the greatest impact on the recognition and measurement of assets, liabilities, revenues and expenses is presented below.

Estimates

Fair value of financial instruments

Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions based on market inputs and observable data, consistent with how market participants would price the instrument. Where data are not observable, management uses the best information available. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Share-based compensation

The estimation of share-based compensation costs requires the selection of an appropriate valuation model and data and consideration as to the volatility of the Company's own share, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model

The Good Shroom Co Inc.

Notes to Consolidated Financial Statements

For the quarters ended October 31, 2021 and 2020

(In Canadian dollars)

3 - JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Judgements

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability that future taxable income against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meets its liabilities for the ensuing year, and to fund planned and contractual exploration programs involves significant judgements based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

4 - CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's objective with respect to capital management is to ensure that it has the ability to continue its operations. It defines its capital as follows:

	2021	2020
	\$	\$
Long-term debt	40,000	40,000
Equity (deficiency)	1,456,015	1,804,418
Total capital	<u>1,496,015</u>	<u>1,844,418</u>

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may need to raise capital, issue new shares or sell assets to reduce the long-term debt.

The Company is not subject to external restrictions on its capital.

No changes were made in terms of objectives, procedures or capital management processes for the period presented.

The Good Shroom Co Inc.

Notes to Consolidated Financial Statements

For the quarters ended October 31, 2021 and 2020

(In Canadian dollars)

5 - FINANCIAL INSTRUMENTS RISKS

Risk management objectives and policies

The Company is exposed to various risks related to financial instruments. The main types of risks to which the Company is exposed are credit risk, market risk and liquidity risk. The Company does not use derivative financial instruments for speculative purposes.

Credit risk

The maximum exposure to credit risk is limited to the carrying amount of cash, term deposit and receivables as at October 31, 2021 and 2020.

The Company monitors customer and other counterparty defaults on an individual basis regularly and credit risk controls reflect this information. The Company has a policy of only dealing with creditworthy parties. Credit risk is considered negligible.

Market risk

The Company is exposed to market risk through its use of financial instruments and specifically to interest rate risk, which results from its operating activities:

- Interest rate risk

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. As at October 31, 2021 and 2020, the Company is exposed to changes in fair value through due to an officer, due to companies controlled by an officer and convertible debentures at fixed rates.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages liquidity risk by establishing cash flow forecasts to determine its financing needs and by ensuring that it has sufficient cash and credit facilities to meet its needs and satisfy its commitments on their maturity.

The Good Shroom Co Inc.

Notes to Consolidated Financial Statements

For the quarters ended October 31, 2021 and 2020

(In Canadian dollars)

5 - FINANCIAL INSTRUMENTS RISKS (Continued)

The following table presents the contractual maturities (including interest payments, if any) of the Company's financial liabilities:

	Less than 1 year	1 to 5 years	2021 5 years and more
	\$	\$	\$
Trade and other payables	115,080		
Due to an officer	50,000		
Due to companies controlled by an officer	50,000		
Long-term debt (including interest)		40,000	
Total	<u>215,080</u>	<u>40,000</u>	<u>—</u>

6 - RELATED PARTY TRANSACTIONS

Transactions with key management and members of the Board of Directors

The remuneration of key management, that is the President and Chief Executive Office, Chief Financial Officer, Chief Marketing Officer and the directors includes the following expenses for the quarter ending

	Oct. 31 2021
	\$
Salaries and expenses for employee benefits	132,280
Shared base compensation	<u>26,042</u>
	<u>158,322</u>

Also, the Company incurred cost of good sold expenses of \$4,918 and interest of \$1,250 with companies controlled by an officer and \$1,250 in interest with an officer.

Furthermore, during the quarter the Company incurred professional fees of \$6,843 with a law firm controlled by a director.