

THE GOOD SHROOM CO.

This Management, Discussion, & Analysis (MD&A) is an amended version of the MD&A filed on SEDAR November 29, 2021.

The previously filed MD&A omitted to state the effective date of the document. The information (November 22, 2021) has been added to page 1 of the MD&A.

Management Discussion & Analysis

For the year ended July 31, 2021

This Management's discussion and analysis ("MD&A") dated November 22, 2021, outlines the financial position of The Good Shroom Co Inc. (the "Company"), formerly Cluny Capital Corp., for the year ended July 31, 2021. Teonan Biomedical Inc. ("Teonan") is now a wholly owned subsidiary of the Company as a result of a three-cornered amalgamation completed on April 15th, 2021. This document should be read in conjunction with the audited Consolidated Financial Statements for the year ended July 31, 2021 and the related notes for the same period.

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.

FORWARD LOOKING INFORMATION

This MD&A may include forward-looking statements. Forward-looking statements are statements that are not historical facts, and include, but are not limited to, estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to the Company's products, its business model, future operations, the impact of regulatory initiatives on its operations, the size of and opportunities related to the markets for the products, general industry and macroeconomic growth rates and statements regarding future performance. Forward-looking statements used in this MD&A 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. 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.

DESCRIPTION OF THE COMPANY AND OVERALL PERFORMANCE

The Company's subsidiary, Teonan develops, manufactures and sells instant wellness beverages. For the financial year ended July 31, 2021, the Company had one operating segment, the production and sale of the Teonan™ instant beverages. Sales of the Teonan beverages began in December 2019, direct to consumers, across North America via the Company's online stores and third-party platforms.

Inspired by the relationships ancient cultures held with functional mushrooms and the growing interest and research, from the scientific community in studying the health benefits associated with mushrooms, the Company formulated the Teonan beverage line that caters to today's discerning consumers and the growing trend towards functional foods. The beverage is made using mushrooms that are widely available (comestible mushrooms) and do not contain any illicit substances.

The Teonan instant tea and coffee-based beverages come in a soluble powdered form and are made using a custom blend of selected organic mushroom extracts and they contain a dry and shelf stable strain of probiotics. Up to January 18, 2021 the Company was selling its beverages which were offered in five different flavors and were sold in a branded box which contained 10 individual 1 serving sachets. On January 18, 2021 the Company introduced 2 new flavours for a total of 7 flavours offered in a new bulk pouch format and took out all the added sugar from the formulas. The seven flavours are: Americano, Café Ole, Matchate, Curcumama, Cacaowah, Gingerati, Cape Rooibosch. The beverages are certified organic (Ecocert - USDA), vegan, dairy free, GMO free, gluten free.

In November 2019, the Company 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 contain the same custom blend of organic functional mushrooms. The MPL was granted in accordance with the *Cannabis Act* and the *Cannabis Regulations*, and it allows the Company to manufacture cannabis products, namely in the form of beverages, and to package and label the products, subject to a maximum threshold of 600kg of dried cannabis or the equivalent in cannabis oil of 150kg, which can be possessed in a calendar year. The MPL must be amended to have the “activity of sale” added as a permitted activity before the Company 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.

On November 3, 2020, Teonan entered into an amalgamation agreement (the “Agreement”) with the Company, a capital pool company (CPC) under the policies of the TSX Venture Exchange. The Agreement provides for a business combination between the parties which upon completion shall constitute the Company’s Qualifying Transaction.

On February 10, 2021, the Company closed a private placement of 11,500,000 subscription receipts (the “**Subscription Receipts**”) at a price of \$0.25 per Subscription Receipt, for aggregate gross proceeds of \$2,875,000. Each Subscription Receipt is convertible into one common share and one warrant (“**Warrant**”) of the Company upon completion of the Transaction. Each Warrant is exercisable at the price of \$0.50 and expires February 10, 2023. The Warrants may be subject to an accelerated expiry at the discretion of the Company if the volume weighted average closing price of the shares is greater than \$0.60 for a period of 10 consecutive trading days on the Exchange.

On April 15, 2021 the Qualifying Transaction was completed and the Company became the Resulting Issuer under the policies of the TSX Venture Exchange. Teonan by way of the Amalgamation, became a wholly owned subsidiary of the Company.

As consideration for the Transaction, the Company issued 30,491,344 common shares to the Teonan shareholders and 1,400,000 common shares as compensation to the finder.

Additionally, each of the 11,500,000 Subscription Receipts were automatically exchanged for one common share of the Company and one Warrant of the Company (on a post-consolidation basis). Leede Jones Gable Inc. and other intermediaries received the aggregate cash commission of \$214,965 and 920,000 compensation options granting each the right to acquire one common share, at the price of \$0.25, for a period of 24 months. The securities issued under the offering were subject to resale restrictions until June 11, 2021.

The directors and officers of the Company in place resigned. Mr. Eric Ronsse joined the Board

and was appointed Chief Executive Officer and Scott Jardin was appointed Chief Financial Officer. Messrs. Franck Aton, Claude Dufresne, Stephanus Rossouw and Steve Saviuk also joined the Board.

On April 28, 2021, the Company's common shares resumed trading on the TSX Venture Exchange under its new name The Good Shroom Co Inc. (Les Bons Champignons Inc.) and new stock symbol MUSH.

On April 30, 2021, the Company granted 1,755,000 stock options, having an exercise price of \$0.30, and an expiration date of April 30, 2028, to the directors and officers of the Company. These options will vest over a period of twenty-four months following the date of the grant. The Company has also granted 150,000 options to Frontier Flex Marketing, an investor relations firm, of which 75,000 options have an exercise price of \$0.30 and 75,000 options have an exercise price of \$0.50. The options expire April 30, 2025 and are subject to vesting in four equal tranches over a 12-month period.

The Company's financial year end, prior to the Transaction was December 31. Following the Transaction, the Company's year end is now July 31, (the year end of Teonan, the "reverse takeover acquirer" as such term is defined in NI 51-102).

QUARTER END RESULTS

Selected Financial Information

	Three-month period ended		Year ended	
	July 31,			
In Dollars (CDN)	2021	2020	2021	2020
Revenue	76,974	84,907	242,126	196,918
Gross Margin - \$	54,268	59,668	61,898	147,770
Gross Margin - %	70%	70%	26%	75%
General & Administrative expenses*	345,350	239,415	3,441,756	496,251
Net Loss	(387,731)	(179,747)	(3,849,468)	(419,589)
Total Assets			2,299,624	728,543
Total Liabilities			495,206	826,063
Equity (Deficiency)			1,804,418	(97,520)

*Does not include selling & financial expenses

Revenue and Gross Margin

Revenue was \$76,974 for the quarter ended July 31, 2021 compared to \$84,907 for the same quarter in the prior year and \$242,126 for the year ended July 31, 2021 compared to \$196,918 for the same period in the prior year. At the end of Q2 and in early Q3, the Company completed the launch of its new versions of the Teonan branded products with sales beginning in late January 2021 in Canada and in February 2021 in the US. The Teonan rebranding resulted in a completely new look and formats specifically made for online retail. The rollout has resulted in reasonable returns as sales are consistent from month to month. However, online sales growth has been challenging as further refinement, specifically to the website and online advertising

efforts, continue to evolve. As a direct result, the total sales in this quarter were slightly lower in comparison to last year same quarter. This is in part due to larger direct marketing spend last year which directly impacts sales. Despite the latter, the overall sales for the year were higher despite downtime in online sales during the transition between versions of Teonan over a period of a few months. Other contributing factors were initiatives tied to contract manufacturing of similar mushroom-based beverages which contributed in small part to overall sales. The Company is hopeful that white labeling opportunities will continue to materialize and grow.

Velada beverages were not sold during this quarter as the sales amendment had just been received in late June 2021. To sell to the general public, the Company must work with each province's cannabis board and the provincially authorized retailers. The registration, product selection and approval processes for cannabis products within Canada can take anywhere from 4-6 months depending on the product calls of the various provincial cannabis boards. It is anticipated that the Company's cannabis products will begin selling before the end of the 2021 calendar year. However, the majority of sales will likely begin to transpire in 2022.

Gross margin for the quarter ended July 31, 2021 was \$54,268 compared to \$59,668 for the same period in the prior year. For the year ended July 31, 2021 margins were \$61,898 compared to \$147,770 for the same period in the prior year. The margins were lower due in large part to promotions and discounts offered on all products including the Tastea Packs (sampler of all Teonan flavors) in order to acquire new customers. Following the rebranding it was necessary to make a concerted effort to reintroduce the product to both new and existing customers which required higher than usual investments in promotions. Additionally, the remaining first version inventory was sold at deep discounted prices and obsolete inventory was also written off during the year which impacted the overall margins.

Expenses

Selling Expenses

Selling expenses were \$5,922 for the quarter ended July 31, 2021 in comparison to \$28,587 in the prior year. For the year ended July 31, 2021 selling expenses were \$99,744 compared to \$61,018 in the prior year. These expenses are primarily shipping and fulfillment costs as well as commission fees such as those for online sales with Shopify (ecommerce platform used by small-medium sized businesses) and to a lesser extent Amazon. Amazon was not initiated in the prior year hence by comparison the selling expenses were higher. Additionally, after further analysis the Amazon selling strategy is currently being reevaluated as the associated fees resulted in little to no margins on some of the higher cost Teonan products offered due to the Company's line pricing strategy. As a result, a select group of products began selling in late 4th quarter on Amazon and a firm specializing in Amazon has been brought to assist in the strategic rollout. To date, Amazon sales remain less profitable relative to the associated selling expenses.

General & Administrative

Salaries were \$129,414 for the quarter ended July 31, 2021 compared to \$56,764 for the same period in the previous year. For the year ended July 31, 2021 salaries were \$454,343 compared to \$133,265 in the prior year. The increase is attributable to hiring of full-time staff and associated salaries specifically for the management team in comparison to the prior year.

The initiatives of the company regarding both brands and undertaking a go public strategy required a clear and experienced organizational structure with respect to senior management.

Share-based compensation is recorded as \$57,292 for the quarter ended July 31, 2021. For the year ended July 31, 2021 share-based compensation was \$579,906. The compensation is related to stock options issued to Frontier Flex as well as Directors and Officers of the Company. It is also representative of performance shares to be awarded to the CFO, hired in September 2020. The performance shares require that certain milestones are met before being awarded. During the year, the CFO attained the first milestone and is entitled to receive 1,000,000 common shares. The dollar value based on the probability of reaching those milestones has been recorded as stated above. There was no share-based compensation for the same periods in the prior year.

Professional fees were \$69,107 for the quarter ended July 31, 2021 compared to \$58,066 in the previous year. For the year ended July 31, 2021 professional fees were \$441,828 compared to \$149,407 in the prior year. The undertaking of the go public transaction required a higher than typical spend on both legal and accounting fees. In anticipation of the RTO, TSXV requires audited financial statements as well as subsequent quarterly financial reporting and reviews along with many other supporting documents. Therefore, Teonan undertook these requirements with the appropriate legal and accounting representatives after sourcing quotations from comparable service providers.

Additionally, the sales amendment required further consultation and coordination for the inspection conducted by Health Canada during Q3. Our service provider in this respect was therefore, required to aid in this endeavor.

For the same quarter in the previous year, there was no proposed RTO nor was there an inspection for an amendment to the company's cannabis license. Hence, expenses were significantly lower by comparison.

Marketing

Marketing and representation expenses were \$94,763 for the quarter ended July 31, 2021 compared to \$46,500 in the previous year. For the year ended July 31, 2021 marketing and representation expenses were \$479,592 compared to \$117,802 in the prior year. The increase in this quarter is largely due to promotion of the company as a publicly listed corporation. The Company undertook an investor relations firm, Frontier Flex, and contracted other promotional agencies and staff to prepare, manage, and disseminate company news and information to investors and the public at large. Also, fiscal year to date expenses include expenses related to the rebranding of Teonan products. The remainder of the marketing costs were related to online promotion of the Teonan beverages through platforms such as Facebook, Instagram, and Amazon. The online marketing strategy of the Teonan brand is currently being reevaluated to better coincide with the marketing requirements associated with upcoming in store retail initiatives.

For the same period in the previous year, Teonan was not public therefore all associated costs relating to the promotion of the company were not incurred. Additionally, no significant rebranding costs were undertaken at that time.

Listing Fees

These fees were \$39,453 for the quarter and \$1,233,438 for the year ended July 31, 2021. The majority of the expenses were exclusively related to the Qualifying Transaction. The vast majority of the listing fees are non recurring, non-cash expenses representing the cancellation of investments in Teonan and equity issuance in the Company. It also included \$350,000 in finder's fees related to the Reverse Take Over transaction. The listing fees incurred during the quarter are cash outlays paid to the exchange due to the company being publicly listed and carrying on transactions such as exercising of warrants & options.

Financial Expenses

The financial expenses were \$5,231 for the quarter and \$145,666 for the year both ended July 31, 2021. These expenses were primarily interest accrued on the convertible debentures and loans payable to the CEO and a company under his direct control. Comparable expenses for the same period in the previous year were nil since no debentures or loan interest was applicable.

Net Financial Income (Loss)

Net loss was (\$387,731) for quarter ended July 31, 2021 compared to (\$179,747) in the previous year. For the year ended July 31, 2021 net loss was (\$3,849,468) compared to (\$419,588) for the same period in the prior year. The increased loss was primarily due to non cash items such as listing fees (\$1,578,438), share based compensation (\$579,906) and accrued interest recorded as per accounting requirements, however, there is no impact on cash flow. Cash related expenses such as professional fees and reporting issuer costs tied to the RTO, rebranding of Teonan products, and salaries for management made up the majority of the cash related expenses that contributed to the loss. With the exception of management salaries and small portion of professional fees most of the latter expenses are one time cash outlays.

The loss for the same period in the previous year is not representative nor reasonably comparable since the sales period was significantly less and no RTO was undertaken at that time.

Liquidity

At July 31, 2021, the Company held assets of \$2,299,624 in comparison to \$728,543 of assets in the previous period ended July 31, 2020. The increase is primarily related to the equity financing undertaken as part of the RTO transaction resulting in a much larger cash position, \$1,619,329 for year ended July 31, 2021. Inventories were also significantly increased, \$186,887 in comparison to \$81,441 in the prior year. This is primarily due to preparation for the rollout of the second iteration of the Teonan products. Additionally, an accounting entry is required with respect to the right of use for the leased location of the licensed cannabis facility. An offsetting entry is made under liabilities therefore the overall impact is minimal.

Liabilities total \$495,206 as at July 31, 2021 in comparison to \$826,063 as at July 31, 2020. The decrease is due to the conversion of debentures to equity as part of the RTO transaction completed in April 2021. As mentioned above the liability portion relating to the leased facility (offset in part by the asset) also resulted in a higher total with respect to liabilities. Trades payables were \$116,743 for period ended July 31, 2021 in comparison to \$52,063 in the prior year. Again, this is due to ongoing expenses relating to being a publicly listed company; primarily both legal and accounting fees.

OUTSTANDING SHARE DATA

As of the date hereof, there are 48,624,683 common shares of the Company issued and outstanding, of which 18,382,352 common shares are held in escrow, 2,076,860 stock options and 12,478,533 warrants are outstanding.

SUBSEQUENT EVENTS

Approval of cannabis products for sale in Ontario

On September 1, 2021, the Company's wholly owned subsidiary and licensed cannabis processor (operator as Seul CBD) has been 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.

Approval of cannabis products for sale in Quebec

On September 23, 2021, the Company's wholly owned subsidiary and licensed cannabis processor (operating as Seul CBD) has been approved by the Société Québécoise du Cannabis ("SQDC") for listing of its Velada wellness beverage brand and Nordique Royale hash brand in the province of Québec. The cannabis products are expected to become available for purchase prior to the end of the year.

Performance Shares

Pursuant to a Performance Shares Agreement entered into between Mr. Jardin and the Corporation September 1, 2020, Mr. Jardin was granted the right to receive (i) 1,000,000 common shares of the Corporation upon the receipt of all applicable authorizations, licenses and other legal requirements for the commercialization of the Corporation's cannabis related products; and (ii) 1,000,000 common shares upon the Corporation reaching gross sales of \$750,000 for its cannabis related products within a 12-month period following receipt of the applicable authorizations; and (iii) 1,000,000 common shares if gross sales of the Corporation reach \$2,500,000 in cannabis related products in the 12 months that follow receipt of the applicable authorizations (each a "Performance Shares Milestone") provided that, the Performance Shares Milestone is attained on or before September 1, 2023. Upon receipt of the applicable required authorizations by the Corporation, Mr. Jardin earned the right to receive the first tranche (1,000,000 Performance Shares). As any issuance pursuant to the Performance Shares Agreement is subject to the escrow requirements of Policy 5.4 of the TSX Venture Exchange ("TSXV"), in November 2021, 250,000 common shares have been issued and the remaining 750,000 common shares will be issued in tranches of 150,000 every six months, starting April 26, 2022, and ending April 26, 2024, subject to any amendment of the escrow schedule pursuant to TSXV policies (please see Filing Statement available at www.sedar.com under the Company's profile, for details on the agreement and escrow release schedule.

IMPACT OF GLOBAL PANDEMIC

The Company began sales of the Teonan beverages in December 2019 direct to consumers via its online stores only. Following a worldwide shutdown initiated in March 2020, it was expected

that there would be an impact on sales. Though forced temporary closure of brick-and-mortar stores meant more online traffic it was anticipated that this would be offset in part by a reduction in disposable income of consumers.

The wellness market typically demands a premium for its products and we are not able to determine how much the economic slowdown will impact sales of Teonan as the pandemic and economic slowdown continues. Additionally, the sales data accumulated to date is not sufficient for comparative purposes to definitively determine the, if any, impact on sales.

As for the Velada beverages, we expect to begin selling products in 2021. The cannabis market has seen a resurgence in sales as this market has been deemed essential by some of the provinces in Canada.

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 realized 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 the managing the financial asset and the contractual cash flow characteristics of the financial asset:

Financial assets and liabilities	Classification
Cash	Amortized Cost
Term Deposit	Amortized Cost
Receivables (excluding taxes receivable)	Amortized Cost
Trade and other payables (excluding salaries payable)	Amortized Cost
Due to the controlling shareholder	Amortized Cost
Due to companies under common control	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.

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 categorized at FVTPL. Furthermore, irrespective of business model financial assets whose contractual cash flows are not solely payment of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for derivatives 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 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.

FINANCIAL INSTRUMENTS RISKS

The company is exposed to various risks related to financial instruments, the main types being 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 and receivables as at July 31, 2021.

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 July 31, 2021, and 2020, the company is exposed to changes in fair value due to controlling shareholder, due to companies under common control 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 ensuring that it has sufficient cash and credit facilities to meet its needs and satisfy its commitments on their maturity.

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:

	2020-2021	2019-2020
Salaries and expenses for employee benefits	\$287,884	-
Cargologan Inc.	\$41,062	-
Anik Gendron	\$19,546	-

Also, the company incurred unpaid interest of \$5,000 for the quarter owing to the controlling shareholder and a company under the control of the controlling shareholder.

JUDGEMENT, 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 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 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 is 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.

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.

BUSINESS RISK FACTORS

As is the case with all early commercialisation efforts, inherent risks still exist as to management's ability to properly execute and deliver its products to market in an effective, efficient, and economic manner. To date, the Company has no net earnings and negative operating cash flows. The cash raised through convertible debentures will be used to further our strategic objectives. However, there is no guarantee that we will be successful and may require additional financing in the future to ensure the successful commercialization of both brands. The ability to raise additional capital is also not guaranteed and therefore, this remains a going concern.

As previously mentioned, the Covid-19 pandemic remains a worldwide issue with wide ranging socioeconomic impacts. Though the increased online traffic plays to our advantage, the offset of economic recession and consumers with less disposable income for items considered non essential remains a concern. Continued shutdown of the economy at large and lack of effective treatment and/or preventative measures such as vaccines for Covid-19 will continue to be a significant risk factor to be considered as the situation evolves.

Capitalization and Commercial Viability

The Company currently has negative operating cash flow, however, Teonan in store retail initiatives for North America and Canadian cannabis sales (as a result of obtaining the sales amendment) are expected to start to gain momentum in the first half of 2022. In the interim, the risk still remains that the resulting online sales from the Teonan brand will not be sufficient to realize positive cash flow. However, once sufficient volume of sales begin to materialize in 2022

across all brands and all channels, it is expected that contributory margin will grow and start to close the gap to cover expenses; specifically marketing and selling expenses.

As a result, the Company may require further financing in the future to continue to grow the brands and expand their respective market presence. Although the Company has been successful in the past in obtaining financing, there can be no assurance that the company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in the delay or indefinite postponement of its business plan.

Development Stage Business

Although the company has now been selling products online under the Teonan brand for over 19 months, it still remains at an early stage in the course of its development.

The Company has a limited operating history, has never operated at a profit and there can be no assurance of its ability to operate at a profit. The Company proposed operations are subject to all business risks associated with new enterprises including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. The likelihood of the company success must be considered in light of the problems, expenses, difficulties, complications, and delays frequently encountered in connection with the expansion of a business, operation in a competitive industry, and the performance of its customers. There is a possibility that the Company could continue to sustain losses in the future. If the Company is unable to generate revenues or profits, investors might not be able to realize returns on their investment or keep from losing their investment.

Inability to Manage the Potential Growth of the Business

The Company's potential growth may place significant demands upon its personnel, management, and financial resources. There is no assurance that its current roster of personnel, systems, procedures, and controls will be adequate to support its future operations. Furthermore, there is no guarantee that the company will be able to acquire new personnel, train, manage, and retain them (including current personnel) sufficiently to facilitate execution and attainment of company objectives. If the Company is unable to effectively manage any future growth, its business and financial condition could be adversely affected.

Key Personnel

The Company currently has some key personnel with various degrees of interest in the company. The latter mitigates to a certain extent the risk of loss of key personnel due to their best interest being served by the success of the company. However, if it cannot retain or successfully replace as well as add key personnel as the business grows inclusive of members of the board of directors then it may be unable to efficiently execute its business plans, or its business could be adversely affected.

Challenges to Commercial Production – Raw materials

As of July 31, 2021, the Company does not have any long-term arrangements in place for the acquisition of raw materials. To date the company has worked to secure raw materials in sufficient quantities based on requirements according to product specifications. Though the strategy has worked, the company is still in early-stage development. Therefore, as the

company grows and demand for products grow, the company must ensure a timely and sufficient supply chain to mitigate delays in the event of key material shortages.

Without the implementation of contracts/arrangements for long term business relationships, the company may also be subject to fluctuating prices of raw materials which could have an impact on the gross margins of the products sold.

Many ingredients are sourced from outside of Canada and as a result are subject to foreign political and economic factors. Furthermore, given the pandemic and cross border nature of international shipping further delays are likely to occur. Failure to properly manage these delays could adversely impact the business operations.

Any or all of such events could have a material adverse effect on the results of our operations.

Competition

The functional mushroom market continues to grow and evolve. Functional beverages, not necessarily containing functional mushrooms, also is expected to grow significantly over the next few years. Failure to adapt and compete against larger companies with greater resources may result in diminished market share and poor business results.

The Canadian cannabis market continues to grow in terms of overall retail sales. The number of licensed producers/processors has also increased however is expected to stabilize as consolidation and barriers to entry begin to take hold. The Company, based in Quebec, has a local producer advantage whereby Quebec owns a monopoly on cannabis retail and is the biggest single vendor in Canada. Quebec has a mandate and has shown favor to support local producers/processors in terms of listing cannabis products in their growing chain of retail locations.

Factors affecting competition include financial resources, access to distribution channels, and manufacturing and market expertise and resources. Many companies will have the aforementioned in greater quantities than those of the company. These organizations may commercialize products that could compete directly or indirectly with the Company's products on their own or through joint ventures. Increased competition, while good for the consumer in terms of options, may negatively impact the Company's current market share and future potential growth.

Product Liability

Marketing any of the Company's current or potential future products may expose the company to liability claims arising from the use of these products especially given the typically higher rate of litigation in some of the markets where Teonan branded products are sold and the nature of cannabis products (Velada) to be sold in Canada. As a result, the Company cannot ensure that its current or future liability insurance, together with indemnification rights under any potential future license agreements and other collaborative arrangements, will be adequate to protect it against any claims and resulting liabilities.

In particular with the cannabis industry, the Company may be unable to obtain additional insurance on commercially reasonable terms. Therefore, its reputation could be adversely affected if a product liability claims or recall occurs and conversely if any claim(s) exceeds insured amounts.

Government Regulation

As a licensed cannabis processor, the Company is required to comply with current and future government regulations regarding cannabis. Should the government force any material changes with respect to cannabis then this may adversely impact the Company's business. Cannabis companies operating in Canada have some measure of comfort as it appears that the baseline rules have been established. However, a review is set for October 2021, three years following the initial legalization of cannabis in Canada.

As for other consumer packaged goods sold by the Company without cannabis they are equally subject to government regulations. Any perceived health claims made by the company could be misconstrued by government bodies where products are sold to be beyond the allowable limitations. Sanctions, penalties or worse could result in response thus impacting the company's ability to carry on business.

As an organic certified product with ingredients requiring certain standards the company may be subject to rules and obligations outside of its direct control especially for production that will take place via third party producers. The Company's system of controls may be insufficient beyond being provided supporting documentation to ensure that raw materials and production services provided by third parties meet the required criteria set forth by government bodies. In the event of any failure of the Company's products to meet governing bodies' regulations adverse action may be taken against the company ultimately causing financial and reputational damage.

Off-balance sheet arrangements

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

FORWARD-LOOKING STATEMENTS

Forward-looking statements used in this MD&A 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. 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.