

**The Good Shroom Co Inc.**  
(formerly Cluny Capital Inc.)  
**Consolidated Financial Statements**  
**as at July 31, 2021**

Independent Auditor's Report	2 - 5
Consolidated Financial Statements	
Consolidated Statements of Comprehensive Loss	6
Consolidated Statements of Changes in Equity	7
Consolidated Statements of Financial Position	8
Consolidated Statements of Cash Flows	9
Notes to Consolidated Financial Statements	10 - 34



## Independent Auditor's Report

To the Shareholders of  
The Good Shroom Co Inc.  
(formerly Cluny Capital Corp.)

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### Opinion

We have audited the consolidated financial statements of The Good Shroom Co Inc. (formerly Cluny Capital Corp.) (hereafter "the Company"), which comprise the consolidated statements of financial position as at July 31, 2021 and 2020, and the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information other than the consolidated financial statements and the auditor's report thereon

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Louis Berardi.

*Raymond Chabot Grant Thornton LLP*<sup>1</sup>

Montréal  
November 22, 2021

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<sup>1</sup> CPA auditor, CA public accountancy permit no. A115879

## The Good Shroom Co Inc. (formerly Cluny Capital Corp.)

### Consolidated Statements of Comprehensive Loss

For the years ended July 31, 2021 and 2020

(In Canadian dollars)

	Note	2021 \$	2020 \$
<b>Revenues</b>	5	242,126	196,918
Cost of goods sold		180,228	49,148
Gross margin		61,898	147,770
Selling expenses		99,744	61,018
General and administrative expenses			
Salaries and employee benefits		454,343	133,265
Shared-based compensation	14	579,906	
Professional fees		441,828	149,407
Insurance		20,708	4,690
Promotional		53,333	
Marketing and representation		479,592	117,802
Office expenses		4,214	44,089
Reporting issuer costs		74,283	
Loss on foreign exchange		1,913	22,224
Taxes and permits		29,912	
Interest and bank fees		2,101	5,604
Depreciation		57,532	3,069
Listing fees		1,233,438	
Other		8,653	16,101
		3,441,756	496,251
Operating loss		(3,479,602)	(409,499)
Financial expenses	15	145,666	10,090
Changes in fair value of conversion options		224,200	
Loss before income taxes		(3,849,468)	(419,589)
Current income taxes	16		
<b>Net loss and comprehensive loss</b>		<b>(3,849,468)</b>	<b>(419,589)</b>
Basic and diluted earnings per share		(0.098)	(0.017)
Basic and diluted weighted average number of common shares outstanding		39,176,835	24,701,034

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

## The Good Shroom Co Inc. (formerly Cluny Capital Corp.)

### Consolidated Statements of Changes in Equity

For the years ended July 31, 2021 and 2020

(In Canadian dollars)

	Note	Share capital Number	Share capital \$	Contributed surplus \$	Deficit \$	Total equity (deficiency) \$
<b>Balance as at August 1, 2019</b>		3,077,900	100		(245,802)	(245,702)
Issuance of common shares by Teonan			50,000			50,000
Forfeited advances from a shareholder				517,771		517,771
Private placement	13	1,466,664				
Conversion of convertible debenture	13	352,845				
Transactions with owners		4,897,409	50,100	517,771	(245,802)	322,069
Net loss and comprehensive loss					(419,589)	(419,589)
<b>Balance as at July 31, 2020</b>		<u>4,897,409</u>	<u>50,100</u>	<u>517,771</u>	<u>(665,391)</u>	<u>(97,520)</u>
<b>Balance as at August 1, 2020</b>		4,897,409	50,100	517,771	(665,391)	(97,520)
Shares exchanges in Teonan prior to the reverse takeover	13		6,199,900		(6,199,900)	
Reverser takeover	4	25,000,000	900,000	31,000		931,000
Private placement	13	11,500,000	2,108,000	767,000		2,875,000
Conversion of convertible debentures	11	5,491,344	1,263,329			1,263,329
Share issuance costs			(347,296)	84,000		(263,296)
Listing fees paid in shares	4	1,400,000	350,000			350,000
Exercise of options		85,930	26,800	(11,333)		15,467
Share-based compensation				579,906		579,906
Transaction with owners		48,374,683	10,550,833	1,968,344	(6,865,291)	5,653,886
Net loss and comprehensive loss					(3,849,468)	(3,849,468)
<b>Balance as at July 31, 2021</b>		<u>48,374,683</u>	<u>10,550,833</u>	<u>1,968,344</u>	<u>(10,714,759)</u>	<u>1,804,418</u>

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

# The Good Shroom Co Inc. (formerly Cluny Capital Corp.)

## Consolidated Statements of Financial Position

As at July 31, 2021 and 2020

(In Canadian dollars)

	Note	2021 \$	2020 \$
<b>ASSETS</b>			
Current			
Cash		1,619,329	504,530
Term deposit, 0.4%, maturing in July 2022		70,000	
Receivables		87,929	25,181
Inventories	7	186,887	81,441
Current income tax asset			23,469
Prepaid expenses		76,959	65,280
		<u>2,041,104</u>	<u>699,901</u>
Long-term			
Right-of-use asset	9	213,538	
Equipment	8	44,982	28,642
		<u>2,299,624</u>	<u>728,543</u>
<b>LIABILITIES</b>			
Current			
Trade and other payables		116,743	52,063
Current portion of lease liabilities	9	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>267,432</u>	<u>152,063</u>
Long-term			
Long-term debt	10	40,000	30,000
Deferred government assistance	10	20,000	10,000
Lease Liability	9	167,774	
Convertible debentures	11		562,665
Conversion options of the convertible debentures	11		71,335
		<u>495,206</u>	<u>826,063</u>
<b>EQUITY (DEFICIENCY)</b>			
Share capital	13	10,550,833	50,100
Contributed surplus		1,968,344	517,771
Deficit		<u>(10,714,759)</u>	<u>(665,391)</u>
		<u>1,804,418</u>	<u>(97,520)</u>
		<u>2,299,624</u>	<u>728,543</u>

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

On behalf of the Board,

Director



Director



## The Good Shroom Co Inc. (formerly Cluny Capital Corp.)

### Consolidated Statements of Cash Flows

For the years ended July 31, 2021 and 2020

(In Canadian dollars)

	Note	2021	2020
		\$	\$
<b>OPERATING ACTIVITIES</b>			
Net loss and comprehensive loss		(3,849,468)	(419,589)
Adjustments for:			
Share-based compensation		579,906	
Listing fees		1,233,438	
Changes in fair value of conversion options on convertible debentures		224,200	
Depreciation	8 and 9	57,532	3,069
Interest paid in shares	11	72,836	
Presumed interest on convertible debentures	12	47,293	
Presumed interest on lease liability	9	11,725	
Foreign exchange loss			1,807
Net change in working capital items	6	(91,724)	(31,501)
Cash flows from operating activities		(1,714,262)	(446,214)
<b>INVESTING ACTIVITIES</b>			
Net change in term deposit		(70,000)	
Acquisition of equipment	8	(20,672)	(1,020)
Reverse takeover	4	2,672,600	
Cash flows from investing activities		2,581,928	(1,020)
<b>FINANCING ACTIVITIES</b>			
Due to the controlling shareholder			
Due to companies under common control			240,000
Repayment lease liabilities	9	(60,000)	
Repayment of loans due to companies under common control			(64,239)
Long-term debt	10	20,000	40,000
Convertible debentures	11	285,000	690,000
Convertible debentures' issuance costs	11		(56,000)
Exercise of options		15,467	
Share issuance costs		(13,334)	50,000
Cash flows from financing activities		247,133	899,761
<b>Net change in cash</b>		<b>1,114,799</b>	<b>452,527</b>
Cash, beginning of year		504,530	52,003
Cash, end of year		1,619,329	504,530
Income taxes paid (received) during the year		-	-
Interests paid during the year		2,000	-

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

# **The Good Shroom Co Inc. (formerly Cluny Capital Corp.)**

## **Notes to Consolidated Financial Statements**

For the years ended July 31, 2021 and 2020

(In Canadian dollars)

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### **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 November 22, 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. (formerly Cluny Capital Corp.)

## Notes to Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(In Canadian dollars)

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### 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. (formerly Cluny Capital Corp.)

## Notes to Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(In Canadian dollars)

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### 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. (formerly Cluny Capital Corp.)

## Notes to Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(In Canadian dollars)

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### 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. (formerly Cluny Capital Corp.)

## Notes to Consolidated Financial Statements

For the years ended July 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. (formerly Cluny Capital Corp.)

## Notes to Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(In Canadian dollars)

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### 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. (formerly Cluny Capital Corp.)

## Notes to Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(In Canadian dollars)

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### 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, are detailed in Notes 11 and 14.

#### 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. (formerly Cluny Capital Corp.)

## Notes to Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(In Canadian dollars)

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### 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. (formerly Cluny Capital Corp.)

## Notes to Consolidated Financial Statements

For the years ended July 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 (see Note 14)

# The Good Shroom Co Inc. (formerly Cluny Capital Corp.)

## Notes to Consolidated Financial Statements

For the years ended July 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 - REVERSE TAKEOVER

On November 3rd 2020, TGSC and Teonan signed an amalgamation agreement (the Agreement) with the intention to amalgamate Teonan with a newly created wholly-owned subsidiary of TGSC. The Qualifying Transaction closed on April 15, 2021. Upon the amalgamation, TGSC issued 25,000,000 common shares of the Company to the shareholders of Teonan. See note 13 for additional impacts of the amalgamation on equity.

In accordance with IFRS 3, Business Combinations, the substance of the Qualifying Transaction is a reverse acquisition of TGSC by Teonan as the shareholders of Teonan hold the majority of the voting rights of the resulting company. The acquisition of TGSC does not constitute a business combination as TGSC does not meet the definition of a business under that standard. As a result, the transaction is accounted for in accordance with IFRS 2, Share-based Payment, with Teonan being identified as the acquirer and the equity consideration being transferred measured at fair value. The resulting financial statements are presented as a continuation of Teonan.

The transaction is equivalent to the issuance of shares by Teonan which is acquiring the net assets of TGSC and a public listing.

The fair value of the consideration for the net assets acquired by Teonan is as follows:

	\$
4,897,412 shares issued and outstanding of TGSC	900,000
Fair value of 257,790 issued and outstanding options of TGSC	20,000
Fair value of 117,333 issued and outstanding warrants of TGSC	11,000
	<u>931,000</u>

# The Good Shroom Co Inc. (formerly Cluny Capital Corp.)

## Notes to Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(In Canadian dollars)

### 4 - REVERSE TAKEOVER (Continued)

The fair value of the TGSC shares issued and outstanding has been determined based on the price per share of \$0.18 derived from the private placement completed on February 10, 2021 where each unit was valued at \$0.25, and was estimated using the Black-Scholes option pricing model with the following assumptions :

Exercise price	\$0.50
Risk free interest rate	0.27%
Expected volatility <sup>(1)</sup>	119%
Expected life	1.82 years

Following the closing of the Qualifying Transaction, the issued and outstanding options and warrants of TGSC continue to be in effect with their original terms and conditions and are deemed to be issued as part of the Qualifying Transaction, however options holders resigned from TGSC as part of the Qualifying Transaction, therefore options will expire 1 year following the closing. The fair value has been estimated using the Black-Scholes option pricing model with the following assumptions:

	Options	Warrants
Exercise price	\$0.18	\$0.15
Risk free interest rate	0.27%	0.27%
Expected dividend yield	Nil	Nil
Expected volatility <sup>(1)</sup>	115%	115%
Expected life	1 year	1.18 years

(1) The expected volatility was based on comparable traded entities

The estimated fair value of the net assets acquired by Teonan is:

	\$
Cash	2,672,600
Subscription receipts payable, net of issuance costs	(2,625,038)
Listing costs expensed	883,438
	931,000

### 5 - REVENUES

Revenues are generated in the following geographical markets:

	2021	2020
	\$	\$
Canada	187,599	84,216
United States	54,527	112,702
	242,126	196,918

## The Good Shroom Co Inc. (formerly Cluny Capital Corp.)

### Notes to Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(In Canadian dollars)

#### 6 - INFORMATION INCLUDED IN CASH FLOWS

The net change in working capital items is as follows:

	2021	2020
	\$	\$
Receivables	(62,748)	(20,958)
Inventories	(105,446)	14,968
Current income tax asset	23,469	1,148
Prepaid expenses	(11,679)	(65,280)
Trade and other payables	64,680	38,621
	<u>(91,724)</u>	<u>(31,501)</u>

#### 7 - INVENTORIES

	2021	2020
	\$	\$
Raw material	105,929	64,907
Finished goods	80,958	16,534
	<u>186,887</u>	<u>81,441</u>

The amount of inventories recognized as expenses during the year corresponds to the cost of goods sold presented in the consolidated statements of comprehensive income.

#### 8 - EQUIPMENT

	Equipment	Computer equipment	Total
	\$	\$	\$
Cost			
Balance, as at August 1, 2019	30,691		30,691
Acquisitions	1,020		1,020
Balance, as at July 31, 2020	31,711		31,711
Acquisitions	12,941	7,731	20,672
Balance, as at July 31, 2021	<u>44,652</u>	<u>7,731</u>	<u>52,383</u>
Accumulated depreciation			
Balance, as at August 1, 2019			
Depreciation	3,069		3,069
Balance, as at July 31, 2020	3,069		3,069
Depreciation	4,332		4,332
Balance, as at July 31, 2021	<u>7,401</u>	<u>—</u>	<u>7,401</u>
Net book value as at July 31, 2020	28,642		28,642
Net book value as at July 31, 2021	37,251	7,731	44,982

## The Good Shroom Co Inc. (formerly Cluny Capital Corp.)

### Notes to Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(In Canadian dollars)

#### 9 - LEASES

Right-of-use assets	\$
Cost	
Addition and ending balance	266,738
Accumulated depreciation	
Depreciation and ending balance	53,200
Ending net carrying amount as at July 31, 2021	<u>213,538</u>
Lease liabilities	
Addition	266,738
Lease payments	(60,000)
Interest	11,725
Ending balance as at July 31, 2021	218,463
Current portion	50,689
Non-current portion	<u>167,774</u>

Contractual undiscounted payments under lease liabilities are as follows:

	\$
Within one year	60,000
1 to 2 years	60,000
2 to 5 years	120,000
Total	<u>240,000</u>

The Company leases a facility with a term of five years. The lease does not specify any restrictions and the leased property cannot be used to secure loans.

With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the statements of financial position as a right-of-use asset and a lease liability.

#### 10 - LONG-TERM DEBT

	<u>2021</u>	<u>2020</u>
	\$	\$
Canada Emergency Business Account, without interest, maturing in December 2022, \$20,000 are eligible for complete forgiveness if \$40,000 are repaid in full before the maturity date (a)	<u>40,000</u>	<u>30,000</u>

(a) As at July 31, 2021, the amount of \$20,000 (\$10,000) eligible for complete forgiveness is presented as deferred government assistance. The amount will be presented as revenues once it is probable that the Company will benefit from the forgiveness.

## The Good Shroom Co Inc. (formerly Cluny Capital Corp.)

### Notes to Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(In Canadian dollars)

#### 10 - LONG-TERM DEBT (Continued)

The Company received a \$60,000 loan under the Canada Emergency Business Account program. If the Company repays \$40,000 of the loan by December 31, 2022, no other amount will be payable. Otherwise, the loan balance will bear interest at 5% and may either be repaid in 36 monthly instalments of capital and interest or repaid on maturity on December 31, 2025.

#### 11 - CONVERTIBLE DEBENTURES

	2021	2020
	\$	\$
Convertible debentures, 10%,	—	562,665

- (a) In August 2020, the Company issued \$285,000 in convertible debentures (\$690,000 issued in July 2020).

The debentures are convertible at the issuer's or holder's option if the Company completes a going public transaction. The conversion price will then be fixed at the going public transaction price less a 25% discount. For accounting purposes, these conversion options are embedded derivatives that must be accounted separately from the debt component into a single financial liability. The value of the debenture was first allocated to the conversions options, while the residual value was allocated to the debt component. In 2020, the Company incurred \$56,000 in issuance costs for the debentures, which were entirely allocated to the debt component.

The initial value of the convertible debenture component was determined at the time of issuance using an appropriate discount rate in the market for similar instruments that do not have the conversion options.

The initial value of the conversion options of \$29,465 (\$71,335 in 2020) was determined by calculating the difference between the expected diluted value of the shares following the conversion of the debentures compared to the expected value of the conversion right. To this end, the Company determined the expected capital structure of the Company following the going public transaction on a fully diluted basis. The Company also used various probabilities that the going public transaction will be completed within three, six and nine months following the issuance of the debentures. Finally, the Company used the following assumptions in its calculations: concurring private placement of \$2,000,000, risk-free rate of 0.24%, value of conversion right of \$0.1875, expected volatility of 135%. The expected volatility is based on comparable publicly traded companies.

The effective interest rate of the debentures is 16.48%.

## The Good Shroom Co Inc. (formerly Cluny Capital Corp.)

### Notes to Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(In Canadian dollars)

#### 11 - CONVERTIBLE DEBENTURES (Continued)

(b) On April 13, 2021, the Company converted the principal amount of \$975,000 and unpaid interest of \$72,836 into 1,372,836 class "F" shares of Teonan as per the terms of the debentures agreements. Immediately after the closing of the Qualifying transaction (Note 4), the 1,372,836 class "F" of Teonan were exchanged for 5,491,344 common shares of the Company. Upon conversion, the carrying amount of the convertible debentures of \$865,493, the fair value of the conversion options of \$325,000 and the accrued interest of \$72,836 were credited to the share capital.

#### 12 - RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the Company's liabilities arising from financing activities can be classified as follows:

	2021		
	Long-term debt	Convertible debentures	Total
	\$	\$	\$
Beginning of the year	30,000	562,665	592,665
Cash			
Proceeds	20,000	285,000	305,000
Convertible debentures' issuance costs			
Non-cash			
Conversion options		(29,465)	(29,465)
Presumed interests on convertible debentures		47,293	47,293
Conversion into common shares		(865,493)	(865,493)
Deferred government assistance	(10,000)		(10,000)
End of year	<u>40,000</u>	<u>—</u>	<u>40,000</u>
			2020
	Long-term debt	Convertible debentures	Total
	\$	\$	\$
Beginning of the year			
Cash			
Proceeds	40,000	690,000	730,000
Convertible debentures' issuance costs		(56,000)	(56,000)
Non-cash			
Conversion options		(71,335)	(71,335)
Deferred government assistance	(10,000)		(10,000)
End of year	<u>30,000</u>	<u>562,665</u>	<u>592,665</u>

# The Good Shroom Co Inc. (formerly Cluny Capital Corp.)

## Notes to Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(In Canadian dollars)

### 13 - SHARE CAPITAL

#### Authorized share capital of TGSC

TGSC's authorized share capital consists of an unlimited number of common shares without par value. All issued shares are fully paid.

Prior to completing the Qualifying Transaction, the Company consolidated its common shares on the basis of 3 pre-consolidation shares for 1 post-consolidation share. All references to common shares, warrant, options in the consolidated financial statements are presented on a post-consolidation basis.

#### Issuances of share capital of TGSC

- (a) As part of the Qualifying Transaction, the Company issued 25,000,000 common shares (Note 4)
- (b) In conjunction with the Qualifying transaction, the Company completed a private placement, issuing 11,500,000 subscription receipts in exchange for gross proceeds amounting to \$2,875,000. With the closing of the Qualifying transaction on April 15, 2021, the Company issued 11,500,000 units in exchange for \$2,875,000 in subscription receipts assumed in the reverse takeover (Note 4). The Company also assumed the related issuance costs of \$347,296. Each unit consists of one common share and one warrant, for a total of 11,500,000 common shares and 11,500,000 warrants. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of \$0.50 until February 10, 2023. These warrants have been recorded at a value of \$767,000. The

warrants may be subject to an accelerated expiry at the discretion of the Company if the volume average closing price of is greater than \$0.60 for a period of 10 consecutive trading days on the Exchange. As part of the private placement, the Company also issued 920,000 broker warrants. Each broker warrant entitles its holder to purchase one common share of the Company at an exercise price of \$0.25 until February 10, 2023. These broker warrants have been recorded at a value of \$84,000 and are recorded as a reduction of the share capital. The fair value has been estimated using the Black-Scholes option pricing model with the following assumptions:

	Warrants	Broker warrants
Share Price	\$0.18	\$0.18
Risk free interest rate	0.27%	0.27%
Expected dividend yield	Nil	Nil
Expected volatility <sup>(1)</sup>	119%	119%
Expected life	1.82 years	1.82 years

(1) The expected volatility was based on comparable traded entities

- (c) Upon closing of the Qualifying Transaction, the Company issued 1,400,000 common shares as a fee to an arm's length finder. The fair value of the price per share is based on the value of the private placement. A listing fee of \$350,000 was recorded.

# The Good Shroom Co Inc. (formerly Cluny Capital Corp.)

## Notes to Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(In Canadian dollars)

### 13 - SHARE CAPITAL (Continued)

#### Issuances of share capital of TGSC (Continued)

- (d) In June 2020, TGSC issued 1,466,664 common shares in a private placement. In July 2020, TGSC issued 352,845 common shares upon the conversion of debentures.

#### Authorized share capital of Teonan

Teonan's authorized share capital consists of an unlimited number of common shares, classes A, "B", "C", "D", "E", "F", "G", "H" shares, all without par value.

On April 2, 2021, Teonan amended its capital to add classes "I" and "J" shares. On April 15, 2021, as part of Qualifying Transaction (note 4), Teonan amalgamated with a newly created wholly-owned subsidiary of TGSC. The amalgamated company kept the name Teonan.

The authorized share capital of the amalgamated company consists of an unlimited number of common shares.

#### Issuances of share capital of Teonan

- (a) In March 2020, Teonan issued 2 common shares for a cash consideration of \$50,000.
- (b) On April 2, 2021, Teonan exchanged 102 common shares issued in exchange for 4,089,049 Class "I" shares and 2,160,951 class "J" shares of its share capital. The share exchange was recorded at the retractable price of \$1 per share which resulted in an increase of \$6,199,900 in deficit, an increase in liabilities of \$6,250,000 and a decrease of \$50,100 in share-capital.
- (c) On April 15, 2021, as part of the Qualifying transaction (note 4) and the amalgamation, all outstanding shares of Teonan (including common shares, class "I" shares and class "J" shares) were cancelled, which was recorded as a decrease in liabilities of \$6,250,000 and an increase in share capital of the same amount.

### 14 - SHARE BASED COMPENSATION

During the year ended July 31, 2021, the Company granted to one of its employees 3,000,000 shares which will vest when financial objectives are met within a 3 year period following the date of grant. Fair value of the shares was estimated based on the value of the private placement, using a value of \$0.25 per share. The Company estimated the vesting at 75%. An expense of \$345,486 was recorded as share-based compensation during the year.

## The Good Shroom Co Inc. (formerly Cluny Capital Corp.)

### Notes to Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(In Canadian dollars)

#### 14 - SHARE BASED COMPENSATION (Continued)

##### Stock Options

The Company has a stock option plan whereby the Board of Directors may grant to directors, officers or consultants of the Company options to acquire common shares. The Board of Directors has the authority to determine the terms and conditions of the grant of options. The number of stock options granted to a beneficiary and the vesting period are determined by the Board of directors. The number of common shares that may be reserved for issuance under the plan is equal to 10% of the issued common shares of the Company. Issued options vest as follows: 33% upon issuance, 33% one year after issuance and 33% two years after issuance.

The changes to the number of outstanding stock options granted by the Company are as follows :

	July 31, 2021	
	Number outstanding stock options	Weighted average exercise price \$
Continued through the reverse takeover (Note 4)	257,790	0.18
Granted	1,905,000	0.31
Exercised	85,930	0.18
Outstanding as at July 31, 2021	<u>2,076,860</u>	<u>0.30</u>
Exercisable	<u>831,860</u>	<u>0.28</u>

An expense of \$234,420 was recognized during the year ended July 31, 2021. The share price at the date of exercise was \$0.27.

The following table provides outstanding share options information as at July 31, 2021

<u>Expiry date</u>	<u>Outstanding stock options</u>		
	Number outstanding stock options	Exercise price	Remaining life (years)
April 15, 2022	171,860	0.18	0.71
April 30, 2025	75,000	0.30	3.75
April 30, 2025	75,000	0.50	3.75
April 30, 2028	1,755,000	0.30	6.75
Outstanding as at July 31, 2021	<u>2,076,860</u>	<u>0.30</u>	<u>6.04</u>

# The Good Shroom Co Inc. (formerly Cluny Capital Corp.)

## Notes to Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(In Canadian dollars)

### 14 - SHARE BASED COMPENSATION (Continued)

The weighted average fair value of \$0.25 per option has been estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

Share price	\$0.30
Exercise price	\$0.31
Risk free interest rate	1%
Expected dividend yield	Nil
Expected volatility <sup>(1)</sup>	107%
Expected life	6.76 years

(1) The expected volatility was based on comparable traded entities

### Warrants

The changes to the number of outstanding warrants, including broker warrants, granted by the Company are as follows:

	July 31, 2021	
	Number	Weighted
	outstanding	average
	warrants	exercise price
		\$
Continued through the reverse takeover (Note 4)	117,333	0.15
Granted	12,420,000	0.48
Outstanding as at July 31, 2021	<u>12,537,333</u>	<u>0.48</u>

The following table provides outstanding warrants information as at July 31, 2021

	Outstanding warrants		
<u>Expiry date</u>	Number	Exercise	Remaining
	outstanding	price	life (years)
	warrants	\$	
June 22, 2022	117,333	0.15	0.88
February 10, 2023	11,500,000	0.50	1.53
February 10, 2023	920,000	0.25	1.53
Outstanding as at July 31, 2021	<u>12,537,333</u>	<u>0.48</u>	<u>1.78</u>

## The Good Shroom Co Inc. (formerly Cluny Capital Corp.)

### Notes to Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(In Canadian dollars)

#### 15 - FINANCIAL EXPENSES

	2021	2020
	\$	\$
Interest on Dues	10,000	10,090
Interest on convertible debentures	72,836	
Presumed interest on convertible debentures	47,293	
Presumed interest on lease liability	11,725	
Other	3,812	
	<u>145,666</u>	<u>10,090</u>

#### 16 - INCOME TAXES

##### Major components of tax expense (income)

The major component of tax expense is outlined below:

	2021	2020
	\$	\$
Total current tax expense	<u>-</u>	<u>-</u>

##### Difference between expected tax expense and tax expense accounted in net income

The difference between the Company's expected tax expense based on the combined federal and provincial rate in Canada and the tax expense presented in the combined statement of comprehensive loss is attributable to the following:

	2021	2020
	\$	\$
Expected tax expense (recovery) calculated using the combined federal and provincial tax rate in Canada of 26.5% (26.54% in 2020)	(1,111,534)	(111,359)
Adjustments for the following items:		
Tax impact of unrecognized temporary differences	560,271	26,600
Listing fees	325,536	
Change in fair value of conversion options	59,413	
Share based compensation	153,675	
Gain on settlement of dues		84,466
Non-deductible expenses and other	12,639	293
Total tax expense	<u>-</u>	<u>-</u>

## The Good Shroom Co Inc. (formerly Cluny Capital Corp.)

### Notes to Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(In Canadian dollars)

#### 16 - INCOME TAXES (Continued)

##### Recognized deferred tax assets and liabilities

The following differences between the carrying amounts and tax bases from timing differences, unused tax losses and unused tax credits give rise to the following recognized deferred income tax assets and liabilities:

	2020	Profit or loss	2021
	\$	\$	\$
Equipment	(7,181)	381	(6,800)
Non-capital losses	7,181	(381)	6,800
	<u>—</u>	<u>—</u>	<u>—</u>
	2019	Profit or loss	2020
	\$	\$	\$
Equipment		(7,181)	(7,181)
Non-capital losses		7,181	7,181
	<u>—</u>	<u>—</u>	<u>—</u>

As at July 31, 2021, the Company has the following temporary differences for which no deferred tax assets are recognized for a value of \$1,002,166.

	Federal	Quebec	Ontario
	\$	\$	\$
Non-capital losses	3,510,818	1,877,382	1,631,483
Financing fees	278,836	33,469	245,367
	<u>3,789,654</u>	<u>1,910,851</u>	<u>1,876,850</u>

These losses expire as follows:

2033	108,622		108,622
2034	57,972		57,972
2035	100,322		100,322
2036	208,435		208,435
2037	108,410		108,410
2038	122,195		122,195
2039	138,629		138,629
2040	409,537	232,159	175,425
2041	2,256,696	1,645,223	611,473
	<u>3,510,818</u>	<u>1,877,382</u>	<u>1,631,483</u>

## The Good Shroom Co Inc. (formerly Cluny Capital Corp.)

### Notes to Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(In Canadian dollars)

#### 16 - INCOME TAXES (Continued)

As at July 31, 2020, the Company has the following temporary differences for which no deferred tax assets are recognized for a value of \$71,339.

	Federal	Quebec
	\$	\$
Non-capital losses	224,806	222,854
Financing fees	50,400	50,400
	<u>275,206</u>	<u>273,254</u>
These losses expire as follows:		
2040	<u>224,806</u>	<u>222,854</u>

#### 17 - FINANCIAL ASSETS AND LIABILITIES

##### Classification of financial assets and liabilities

The carrying amount and fair value of financial instruments presented in the statement of financial position are as follows:

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets at amortized cost				
Cash	1,619,329	1,619,329	504,530	504,530
Term deposit	70,000	70,000		
Receivables (excluding taxes receivable)	16,394	16,394	9,039	9,039
	<u>1,705,723</u>	<u>1,705,723</u>	<u>513,569</u>	<u>513,569</u>
Financial liabilities at amortized cost				
Trade and other payables (excluding salaries payable)	80,329	80,329	42,826	42,826
Due to an officer	50,000	50,000	50,000	50,000
Due to companies controlled by an officer	50,000	50,000	50,000	50,000
Long term-debt	40,000	40,000	30,000	30,000
Convertible debentures			562,665	562,665
	<u>220,329</u>	<u>220,329</u>	<u>735,491</u>	<u>735,491</u>
Financial liabilities at FVTPL				
Conversion options of the convertible debentures			71,335	71,335
	<u>220,329</u>	<u>220,329</u>	<u>806,826</u>	<u>806,826</u>

# The Good Shroom Co Inc. (formerly Cluny Capital Corp.)

## Notes to Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(In Canadian dollars)

### 17 - FINANCIAL ASSETS AND LIABILITIES (Continued)

#### Classification of financial assets and liabilities (Continued)

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that observable for the asset or liability, either directly or indirectly;

Level 3: unobservable inputs for the asset or liability.

The fair value of the long-term debt (Level 2) and convertible debentures in 2020 (Level 2) is not significantly different from its carrying value because there was no material change during the period in the assumptions used for the fair value determination at inception. The carrying values of other financial assets and liabilities are considered to be a reasonable approximation of their fair value because of their short-term maturity. The fair value of the conversion options of the convertible debentures (Level 3) is described in Note 11.

### 18 - 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	30,000
Convertible debentures		562,665
Conversion options of the convertible debentures		71,335
Equity (deficiency)	<u>1,804,418</u>	<u>(97,520)</u>
Total capital	<u><u>1,844,418</u></u>	<u><u>566,480</u></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. (formerly Cluny Capital Corp.)

## Notes to Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(In Canadian dollars)

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### **19 - FINANCIAL INSTRUMENTS RISKS**

#### **Risk management objectives and policies**

The Company is exposed to various risks related to financial instruments. The Company's financial assets and liabilities are summarized by category in Note 17. 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 July 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 July 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. (formerly Cluny Capital Corp.)

### Notes to Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(In Canadian dollars)

#### 19 - FINANCIAL INSTRUMENTS RISKS (Continued)

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

	2021		
	Less than 1 year	1 to 5 years	5 years and more
	\$	\$	\$
Trade and other payables	80,329		
Due to an officer	50,000		
Due to companies controlled by an officer	50,000		
Long-term debt (including interest)		40,000	
Total	<u>180,329</u>	<u>40,000</u>	<u>–</u>
	2020		
	Less than 1 year	1 to 5 years	5 years and more
	\$	\$	\$
Trade and other payables	42,826		
Due to an officer	50,000		
Due to companies controlled by an officer	50,000		
Long-term debt (including interest)		30,000	
Convertible debentures (including interest)	69,000	759,000	
Total	<u>211,826</u>	<u>789,000</u>	<u>–</u>

#### 20 - 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 Officer, Chief Financial Officer, Chief Marketing Officer and the directors includes the following expenses:

	2021	2020
	\$	\$
Salaries and expenses for employee benefits	287,884	14,430
Shared base compensation	274,420	
	<u>562,304</u>	<u>14,430</u>

Also, the Company incurred cost of good sold expenses of \$41,062 and interest of \$5,000 (interest of \$8,090 in 2020) with companies controlled by an officer and \$5,000 (\$2,000 in 2020) in interest with an officer. As at July 31, 2021, unpaid interest are \$13,090 and 5,000 respectively (\$8,090 and \$2,000 as at July 31, 2020).

Furthermore, during the year the Company incurred professional fees of \$32,289 with a law firm controlled by a director. As at July 31, 2021, \$2,991 is payable to this law firm.