

# THE GOOD SHROOM CO.

**Management Discussion & Analysis**

**For the year ended July 31, 2023**

**Effective Date: November 27, 2022**

## **Management Discussion & Analysis**

**For the year ended July 31, 2023**

Management's discussion and analysis ("MD&A") outlines the financial position of The Good Shroom Co Inc. (the "Company"), formerly Cluny Capital Corp., for the year ended July 31, 2023. Teonan Biomedical Inc. ("Teonan") is a wholly owned subsidiary of the Company as a result of a three-cornered amalgamation completed on April 15<sup>th</sup>, 2021. This document should be read in conjunction with the audited Consolidated Financial Statements for the year ended July 31, 2023 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](http://www.sedar.com).

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

The Company's subsidiary, Teonan, accounts for all operations. It develops and sells instant wellness beverages as well as a separate line of cannabis and cannabis infused products for the Canadian market.

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. 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 was amended in June 2021 to have the "activity of sale" added as a permitted

activity allowing the Company to commence distribution and sales of cannabis products to authorized retailers in Canada.

On October 5, 2023 the company obtained a standard processing license which does not limit the processing of dried cannabis or the equivalent in concentrates during a calendar year. This allows the Company to continue to grow the cannabis division in line with Health Canada regulations.

The company currently sells cannabis products primarily in Quebec, but also has some listings in Ontario and as of Q1 of the current fiscal year in Alberta as well.

The Company also produces a line of Teonan™ branded instant tea and coffee-based beverages that come in a soluble powdered form and made using a custom blend of selected organic mushroom extracts each containing a dry and shelf stable strain of probiotics. The beverages are certified organic (Ecocert - USDA), vegan, dairy free, GMO free, gluten free and contain zero sugar. The Company, began selling Teonan™ instant beverages in December 2019, direct to consumers, across North America via the Company's online stores and third-party platforms. In late Q2 of fiscal year ended July 31, 2022, the Company initiated its retail brick and mortar rollout with a focus on 4 flavors (Americano, Café au Lait, Matcha Latte, and Hot Chocolate) in a 15 servings format.

The Company continues to sell Teonan beverages both online and at retail locations.

## YEAR END RESULTS

### Selected Financial Information

	Year ended	
	July 31,	
In Dollars (CDN)	2023	2022
Revenue	4,060,359	1,522,134
Gross Margin - \$	665,115	228,638
Gross Margin - %	16.4%	15%
General & Administrative expenses*	909,718	1,573,569
Net Loss	(452,140)	(1,628,694)
Total Assets	1,444,047	1,644,355
Total Liabilities	986,477	881,548
Equity	457,570	762,807

\*Does not include selling & financial expenses

### Revenue and Gross Margin

Revenue was \$4,060,359 for the year ended July 31, 2023 compared to \$1,522,134 for the same period in the prior year. This represents 2.67 times more sales than last fiscal year.

More than 97% of the Company's sales are derived from the sale of cannabis related products. Due to the Company's business model of outsourcing part of the operations as well as the excise tax that is a liability collected and remitted to the Canadian Federal government, the margins on its cannabis products are lower by comparison to industry standards. For the year ended July 31, 2023 the excise tax represented \$897,338 which alone represents 22% of sales.

Sales of Teonan instant beverages were \$184,674 for year ended July 31, 2023 in comparison to \$192,307 for the comparable period las year. The Company has purposely invested less resources in the Teonan beverages this past fiscal year. This is reflected in the results and is due to management's decision to focus its limited resources on products that brought immediate financial return. In this case, it has been the Quebec cannabis market where favorable treatment in terms of listing products and low risk of default on payments facilitated the decision on where to focus its efforts. This decision has been fruitful to date with sales growth and a good working relationship with the government entity that represents cannabis retail in Quebec.

Gross margin for the year ended July 31, 2023 was \$665,115 compared to \$228,638 for the same period in the prior year. This represented 2.9 times increase in comparison to the previous fiscal year. The company has made some improvement in terms of margin percentage by bringing higher margin products into its portfolio. It will continue to strive towards this endeavor while aiming to lower cost of goods sold in the upcoming fiscal year.

## **Expenses**

### Selling Expenses

Selling expenses for the year ended July 31, 2023 were \$205,137 compared to \$269,374 in the prior year. These expenses are primarily commission fees paid on sales of both cannabis and non cannabis products. Though commissions on cannabis sales have risen due to increased sales other costs have remained relatively unaffected. For example, delivery costs to Quebec retailers resulted in only marginal increases. Deliveries to store locations were previously being made, however, now they contain more products per delivery with the only increase related to weight of additional products. The major cost difference this year is the absence of Teonan distribution setup costs which included a consultant that was paid a monthly fee to assist in the US rollout. This cost has since been eliminated.

### General & Administrative

Salaries for the year ended July 31, 2023 were \$277,663 compared to \$493,369 in the prior year. During the fiscal year cost cutting initiatives were taken which included restructuring staff resulting and temporary reductions in costs resulting in the significant cost savings, specifically in salaries.

Share-based compensation for the year ended July 31, 2023 was \$146,903 compared to \$587,353 in the prior year. Though not an impact on cash flow, this marked reduction was due to less outstanding stock options granted and in circulation as well as diminished share-based compensation during the fiscal year.

Professional fees for the year ended July 31, 2023 were \$166,462 compared to \$128,507 in the prior year. The increase was due in large part to increased quality assurance cost for cannabis products directly proportional to the increase in cannabis sales. Other minor contributors were sales initiatives for Teonan at the retail level and costs associated with the Company's foray into the Alberta cannabis market.

### Marketing

Marketing and representation expenses were \$27,894 for the year ended July 31, 2023 compared to \$94,941 in the previous year. The expenses were higher in the previous fiscal

year due to efforts to continue to market the Company as a publicly traded entity. However, these initiatives were evaluated and halted after having deemed them ineffective at this time. This was due to a variety of reasons primarily the company's status (losses vs profit) and the perceived ineffectiveness of the marketer given the latter as well as the state of the market for cannabis related companies.

#### Depreciation

The depreciation was much lower at \$21,245 at July 31, 2023 in comparison to 60,658 in the previous year due to a change in the monthly rent cost thus effecting the lease liability and its depreciation. The latter was undertaken as part of cost cutting strategies to allow the company to focus resources elsewhere.

#### Financial Expenses

The financial expenses were \$2,400 for the year ended July 31, 2023 compared to \$14,659 for the same period last year. The Company's only debt remaining is the Canadian government loans provided during the time of Covid hence financing expenses are at a minimum. The only amount listed is a nominal interest on leased liabilities.

#### Net Financial Income (Loss)

Net loss was (\$452,140) for the year ended July 31, 2023 compared to (\$1,628,964) in the previous year. The current year loss is 3.6 times less by comparison to the prior year due to both increased sales and cost cutting initiatives previously mentioned.

Non cash items such as share based compensation (\$146,903) and depreciation (\$21,245) have no impact on cash flow and represent approximately 37.7% of this year's net loss.

#### Liquidity

At July 31, 2023, the Company held assets of \$1,444,047 in comparison to \$1,644,355 of assets in the previous period ended July 31, 2022. The cash position in date of July 31 2023 was \$378,424 in comparison to \$681,553 in the previous year. The decrease in the cash position is related to the Company's increased operations primarily in cannabis during the course of the fiscal year. As a result, receivables, \$525,461 (\$236,494 prior year), and inventories, \$446,412 (\$386,113 prior year) are also higher due to the same reason. The Company's increase in receivables is a result of increased sales volume and it has deemed any potential for bad debt as a very low risk. The majority of the receivables are from the Quebec government which is considered very secure in terms of their ability to pay. Similarly, the increased inventories are primarily for sale to the Quebec cannabis retailers and stocked based on demand. The Company aims to have 6 weeks of stock on hand to meet demand which reduces transportation costs related to ordering raw materials on a weekly basis.

Liabilities total \$966,819 as at July 31, 2023 in comparison to \$706,135 as at July 31, 2022. The increase is primarily due to payables for cannabis products.

As a good business practice, the Company diversified its cannabis suppliers' portfolio during the course of the year. As a result, a new and important partner/supplier emerged with a different range of products albeit with payment terms that required a larger outlay of cash upfront. The latter effected both the cash position (decrease) and resulted in the increase in overall liabilities.

Overall, payment terms with cannabis suppliers remain favorable and help to minimize, to the extent possible, the impact on cash flow.

## **QUARTERLY RESULTS**

### **Revenue & Net Profit**

Sales for the quarter ended July 31, 2023 were \$1,129,281 in comparison to \$373,453 the prior year. This represents a little over 3x growth. The Company was expecting a slightly higher sales figure during the quarter; however, it was faced with shortages for two cannabis SKUs due to supplier's lack of raw materials. The shortage impacted the last month of the quarter and in part the 1<sup>st</sup> month of the 1<sup>st</sup> quarter of the current fiscal year. The issue has since been resolved whereby more long-term planning with suppliers has been undertaken and more frequent checks to determine stock statuses are now implemented to ensure these issues are minimized going forward.

As a result, the net profit for the quarter ended July 31, 2023 was \$10,874 compared to a net loss of \$518,075 the same period in the prior year. This result is slightly lower than the previous quarter and includes \$8,941 of non cash items on the profit & loss statements. The Company's cost controls and increased sales since the 3<sup>rd</sup> quarter, marked by new product launches, helped contribute to the bottom line. The Company expects this trend to continue into the 1<sup>st</sup> quarter of the current fiscal year, however, anticipates higher general & administrative expenses due to the timing of certain required costs such as insurance renewal and audit related fees.

### **OUTSTANDING SHARE DATA**

As of the date hereof, there are 50,474,683 common shares of the Company issued and outstanding, of which 3,676,470 common shares are held in escrow, 3,055,000 stock options and 0 warrants.

## **SUBSEQUENT EVENTS**

### **Standard License Granted**

In Q1 of the new fiscal year, the Company's wholly owned subsidiary and licensed cannabis processor (operating as Seul CBD) was approved by Health Canada to obtain a standard processing license which is a step up from the micro processing license it previously held. The major difference being that the Company is no longer limited on the amount of cannabis that can be processed in the course of a given calendar year. The standard license was granted on October 5<sup>th</sup>, 2023 and went into immediate effect. The company foresaw cannabis sales growth and pre-emptively applied for the license knowing it would be eventually required in a timely manner so as to not interrupt operations.

### **Launch of cannabis products for sale in Alberta**

Starting in Q1 of the new fiscal year, the Company's wholly owned subsidiary and licensed cannabis processor (operating as Seul CBD) launched a series of cannabis products from its portfolio in a variety of categories such as dried flower, pre-rolls, edibles, capsules and topicals to be sold by Alberta Liquor Gaming Commission (AGLC). This commission is the governing body responsible for sales of cannabis products in the province of Alberta. The launch of the aforementioned cannabis products has been over a period of months. Although too early to

evaluate, the Company maintains a positive outlook for the future of its business in this province. Although not expected to rival its business in Quebec, the Company is hopeful this addition can help contribute growth in sales over the course of the fiscal year.

## 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 asse and the contractual cash flow characteristics of the financial asset:

<b>Financial assets and liabilities</b>	<b>Classification</b>
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 shoes 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, 2023.

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 foreign currency risk, which results from its operating activities:

### – Foreign currency risk

The Company is exposed to foreign exchange risks arising from the fluctuation of exchange rates between US dollar and the Canadian dollar. The Company does not enter into arrangements to hedge its foreign exchange risk. As at July 31, 2023 and 2022, exposure to this risk is not significant.

## 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 (2021-2022 only):

	<b>2022-2023</b>	<b>2021-2022</b>
Salaries and expenses for employee benefits	\$221,224	\$290,000
Cargologan Inc.	\$31,431	\$35,107

## 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 the go public transaction is being 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.

### **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 grow which would contribute towards sustaining the company as it strives to move closer to breakeven and eventual profitability. In the interim however, the risk still remains that the resulting sales will not be sufficient to realize positive cash flow.

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 for over 2 years, 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, 2023, the Company does not have any long-term arrangements in place for the acquisition of raw materials at fixed pricing. It does, however, have agreements in place to protect distribution and branding of specific cannabis products in relation to the Quebec market. To date the company has been able to secure raw materials in sufficient quantities based on requirements according to product specifications. The company must continue to ensure a timely and sufficient supply chain to mitigate delays in the event of key material shortages.

Without the implementation of contracts/arrangements specific to pricing, 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. To date the Company has maintained close working relationships with its partners to ensure minimal fluctuations in pricing.

With respect to non cannabis product ingredients, many 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 Canadian cannabis market continues to grow in terms of overall retail sales. The number of licensed producers/processors is expected to start as 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.

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, market and compete against larger companies with greater resources may result in diminished market share and poor business results.

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 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.

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, 2023.

#### **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.