

THE GOOD SHROOM CO.

Management Discussion & Analysis – Quarterly Highlights

For the Quarter Ended

October 31, 2023

Effective Date: December 20, 2023

Management's discussion and analysis – quarterly highlights (“MD&A - Quarterly Highlights”) outlines the financial position of The Good Shroom Co Inc. (the “Company”), formerly Cluny Capital Corp., for the quarter ended October 31, 2023. Teonan Biomedical Inc. (“Subsidiary”) is a wholly owned subsidiary of the Company as a result of a three-cornered amalgamation completed on April 15th, 2021. This document should be read in conjunction with the Financial Statements (unaudited) for the quarter ended October 31, 2023.

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

DESCRIPTION OF THE COMPANY AND OVERALL PERFORMANCE

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

The Subsidiary represents the primary source of operational business for the Company. As such, it develops, manufactures, and sells instant wellness beverages to the general market across North America; primarily online and now in third party retail locations.

Additionally, the Subsidiary is licensed by Health Canada to process, and as of June 16, 2021, sell cannabis products to the regulated market in Canada. As a result, it sells a number of cannabis related products under its Nordique Royale, Le Best Dans l'Ouest, Le P'tit Snack and Velada brands which include hashish, infused joints, edibles and dried flower.

For the financial quarter ended October 31, 2023, the Company generated the vast majority of its revenue from its portfolio of cannabis products, in various product categories, such as its popular hashish products Afghan Gold, Le Kush X and others; dried flower products Sky Cuddler, Cherry Blossom and others; edibles such as Beef Jerky and others as well as cannabis infused functional beverages and joints sold primarily to Quebec and Alberta.

QUARTER END HIGHLIGHTS

The Company obtained a full Health Canada license in regard to Cannabis processing (previously a micro processing license). The upgrade will allow the company to process and sell cannabis products without any limitations.

During the quarter, sales of all products totaled \$1,510,586 which is significant increase in comparison to sales for the comparable quarter ended October 31, 2022.

The Subsidiary continued to sell a growing number of branded cannabis products in Quebec with cannabis only sales reaching \$1.5M for the quarter. Hash and infused joints continue to perform well along with the edibles category represented by OG Jerk, the Company's THC infused beef jerky and its second edibles brand, Le P'tit Snack.

A series of new products also launched in Quebec in late Q1 and early Q2 which will help continue to grow the base of revenue and portfolio of cannabis products the Company offers albeit those products remain young and longer term velocity thereof remains to be confirmed.

The Company is content with promising early sales in regard to its launch of products in the province of Alberta. OG Jerk, hash infused joints, topical creams and capsules are among the portfolio of products that debuted in Q1 in Alberta. It is important to note that in Alberta, unlike

Quebec, retailers are privately owned and as such need to be serviced differently than Quebec where there is only one retailer possible, i.e. the government.

The Company recorded minimal sales of Teonan branded products of \$9,201 for the quarter ended October 31, 2023 in comparison to \$80,559 for the comparable quarter ended October 31, 2022. The delay originated primarily from being unable to secure raw materials in order to produce which was delayed until late Q1. The latter coupled with larger than expected lead times for production have hampered sales. The Company remains committed to Teonan wellness beverages and will focus their efforts online, in the Canadian retail through a new distributor expected in Q3 and existing US retailers in the short term to ensure demand is met in a timely manner.

SUBSEQUENT EVENTS

The Company received initial approval for another hash infused joint on December 14th 2023 expected to launch around February 2024. This additional listing is another step towards increasing its infused joint market share, amongst other targeted categories in the upcoming year. At present its Afghan Gold infused joint is among the top 5 selling joints in its category, depending on the week, in terms of total units sold and is generally a solid listing for the company.

Results from Operations

Sales

Revenue was \$1,510,586 for the quarter ended October 31, 2023 compared to \$822,569 for the same quarter in the prior year. As mentioned above, this represents 1.83 times increase in sales for the quarter-to-quarter comparison, primarily due to sales of cannabis products in Canada but most notably in Quebec.

The Company showed a net profit of \$92,126 for the quarter ended October 31, 2023 in comparison to a net loss of (\$191,569) for the same quarter last year. This is the best quarter to date for the Company in terms of profitability. This is due to the launch of several new products and cost cutting strategies to affect the bottom line.

Various new products which were accepted earlier in the calendar year began selling late Q1 during the quarter which account for most of the increase in cannabis sales.

Teonan beverages continue to sell online and in retail outlets across North America, however, as mentioned previously production issues led to a decline in sales due to low inventory available and the Company's core focus has remained its cannabis brands.

It is expected this portion of the business will rebound over the next year, however, in the immediate term will continue represent a smaller portion of overall sales in comparison to cannabis.

Gross margin, which is a blend of all brands, for the quarter ended October 31, 2023 was \$483,605 compared to \$181,942 for the same quarter last year. This represents an increase in overall margin primarily due to the introduction new products with higher margins which increased the overall average. Due to the structuring of cannabis production, margins on these products are lower but are offset by high value, large volume sales and favorable payment terms with partners.

Expenses

Selling expenses were \$130,923 for the quarter ended October 31, 2023 in comparison to \$29,307 for the same quarter in the prior fiscal year. The increase is primarily due to cannabis related shipping costs. As sales increase, the volume of products to be stored, packed and shipped increases proportionally. Also, new cannabis business in Ontario and Alberta for Q1 contributed to increased shipping costs since shipping from Quebec to other provinces costs more than intra-Quebec. Additionally, sales-based commission of cannabis products also increased proportionally resulting in increased overall cost for the quarter.

Quality Assurance fees were \$44,265 for the quarter ended October 31, 2023 in comparison to \$1,885 for the same quarter in the prior year. The increase is due to quality assurance consulting fees. These fees are directly related to sales and the launch of several new cannabis products, whereby increased sales and the launch of new cannabis products require quality assurance review, submission, approval, etc. ultimately increasing associated costs. There was also a quality assurance fee related to the submission of the standard Health Canada license (previously a micro processing license). The standard license was obtained during the quarter.

Insurance was \$25,587 for the quarter ending October 31, 2023 in comparison to \$62,343 for the same quarter last year. The decrease is due primarily to an accrual in recording the insurance fees in the 2022 prior quarter. However, as part of cost cutting initiatives there was also a small but marked reduction in insurance fees due to a new insurer contract. The insurance cost is now paid in instalments to match utilization and help with cash flow.

Marketing costs were \$7,132 for quarter ending October 31, 2023 in comparison to \$47,119 for the same quarter last year. The decrease is the result of the elimination of marketing efforts for both the Company and the Teonan brand.

Liquidity

At October 31, 2023, the Company held assets of \$1,910,578 compared to \$1,385,455 of assets in the previous quarter ended July 31, 2023. Though relatively consistent, there is a significant increase in receivables due to increased sales. This is primarily related to the launch of new products which requires higher volumes towards the end of Q1. The risk is considered low as the primary receivable is related to the government-controlled cannabis retailer in Quebec. Weekly payments on account will occur 30 days after products have been received by the aforementioned cannabis retailer.

The cash position at period ended October 31, 2023 was \$414,800 which the Company believes is sufficient to advance the company's immediate short-term objectives.

Accounts payable for the quarter ending October 31, 2023 were \$1,320,504 in comparison to \$892,417 for the year ending July 31, 2023. The remains relatively consistent and is primarily due to costs of cannabis products to be sold to Quebec and now Alberta inclusive of cannabis excise tax payable to the Canadian government. The latter represents the majority of accounts payable. The payable associated with costs of goods for these cannabis products is considered less risky since the Subsidiary has negotiated very favorable and lengthy payment terms.

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 and Chief Financial Officer:

	Quarter ended October 31, 2023
Salaries of key personnel	\$80,102
Cargologan Inc.	\$15,651

Off-balance sheet arrangements

There are no off-balance sheet arrangements as of October 31, 2023.

FORWARD-LOOKING STATEMENTS

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

Information relating to the Company is available on SEDAR at www.sedar.com.