

**The Good Shroom Co Inc.**

**Consolidated Financial Statements**  
**as at July 31, 2024 and 2023**

Independent Auditor's Report	2 - 5
Consolidated Financial Statements	
Consolidated Statements of Comprehensive Income	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 - 30

## Independent Auditor's Report

---

Raymond Chabot  
Grant Thornton LLP  
Suite 2000  
600 De La Gauchetière Street West  
Montréal, Quebec  
H3B 4L8

To the Shareholders of  
The Good Shroom Co Inc.

T 514-878-2691

### Opinion

We have audited the consolidated financial statements of The Good Shroom Co Inc. (hereafter "the Company"), which comprise the consolidated statements of financial position as at July 31, 2024 and 2023, and the consolidated statements of comprehensive income, 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 material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (hereafter "IFRS Accounting Standards").

### 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.

### Material uncertainty related to going concern

We draw attention to Note 1 to the consolidated financial statements, which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated

financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the matter described in the "Material uncertainty related to going concern" section, we have determined that there are no other key audit matters to communicate in our auditor's report.

### **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 IFRS Accounting Standards, 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 25, 2024

---

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

## The Good Shroom Co Inc.

### Consolidated Statements of Comprehensive Income

For the years ended July 31, 2024 and 2023

(In Canadian dollars)

	Note	2024 \$	2023 \$
Revenue	4	4,636,033	4,060,359
Excise taxes		742,623	897,338
Net revenue		3,893,410	3,163,021
Cost of goods sold		2,668,388	2,497,906
Gross margin		1,225,022	665,115
Selling expenses		249,699	205,137
General and administrative expenses			
Salaries and employee benefits		417,585	277,663
Share-based compensation	12	54,939	146,903
Professional fees		251,421	166,462
Insurance		88,641	117,524
Promotional		32,760	96,556
Marketing and representation		9,885	27,894
Travel		10,501	4,818
Office expenses		15,594	20,535
Reporting issuer costs		21,345	23,479
Taxes and permits		3,281	3,958
Loss on foreign exchange		3,132	704
Interest and bank fees		2,884	1,302
Depreciation		21,284	21,245
Other			675
		933,252	909,718
Operating income (loss)		42,071	(449,740)
Presumed interest on lease liability		1,468	2,400
Net income (loss) and comprehensive income (loss)		40,603	(452,140)
Basic earnings per share	17	0.001	(0.009)
Diluted earnings per share	17	0.001	(0.009)
Basic weighted average number of common shares outstanding	17	50,575,502	49,140,397
Diluted weighted average number of common shares outstanding	17	51,892,489	49,140,397

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

## The Good Shroom Co Inc.

### Consolidated Statements of Changes in Equity

For the years ended July 31, 2024 and 2023

(In Canadian dollars)

	Number	Share capital \$	Contributed surplus \$	Deficit \$	Total equity \$
<b>Balance as at August 1, 2022</b>	48,774,683	10,650,833	2,455,697	(12,343,723)	762,807
Issuance of performance shares	1,700,000	425,000	(425,000)		
Share-based compensation			146,903		146,903
	<u>50,474,683</u>	<u>11,075,833</u>	<u>2,177,600</u>	<u>(12,343,723)</u>	<u>909,710</u>
Net loss and comprehensive loss				(452,140)	(452,140)
<b>Balance as at July 31, 2023</b>	<u>50,474,683</u>	<u>11,075,833</u>	<u>2,177,600</u>	<u>(12,795,863)</u>	<u>457,570</u>
<b>Balance as at August 1, 2023</b>	50,474,683	11,075,833	2,177,600	(12,795,863)	457,570
Share-based compensation			54,939		54,939
Exercising of Stock Options	300,000	29,985			29,985
	<u>50,774,683</u>	<u>11,105,818</u>	<u>2,232,539</u>	<u>(12,795,863)</u>	<u>542,494</u>
Net income and comprehensive income				40,603	40,603
<b>Balance as at July 31, 2024</b>	<u>50,774,683</u>	<u>11,105,818</u>	<u>2,232,539</u>	<u>(12,755,260)</u>	<u>583,097</u>

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

# The Good Shroom Co Inc.

## Consolidated Statements of Financial Position

As at July 31, 2024 and 2023

(In Canadian dollars)

	Note	2024 \$	2023 \$
<b>ASSETS</b>			
Current			
Cash		202,369	378,424
Receivables		681,350	525,461
Inventories	6	526,678	446,412
Prepaid expenses		35,158	35,158
		<u>1,445,555</u>	<u>1,385,455</u>
Long-term			
Right-of-use asset	8	13,986	28,050
Equipment	7	23,322	30,542
		<u>1,482,863</u>	<u>1,444,047</u>
<b>LIABILITIES</b>			
Current			
Trade and other payables		882,238	892,417
Current portion of lease liability	8	17,528	14,402
Current portion of long-term debt			40,000
Current portion of deferred government assistance			20,000
		<u>899,766</u>	<u>966,819</u>
Long-term			
Lease liability	8		19,658
		<u>899,766</u>	<u>986,477</u>
<b>EQUITY</b>			
Share capital	10	11,105,818	11,075,833
Contributed surplus		2,232,539	2,177,600
Deficit		<u>(12,755,260)</u>	<u>(12,795,863)</u>
		<u>583,097</u>	<u>457,570</u>
		<u>1,482,863</u>	<u>1,444,047</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.

## Consolidated Statements of Cash Flows

For the years ended July 31, 2024 and 2023

(In Canadian dollars)

	Note	2024 \$	2023 \$
<b>OPERATING ACTIVITIES</b>			
Net income (loss)		40,603	(452,140)
Adjustments for:			
Share-based compensation		54,939	146,903
Depreciation		21,284	21,245
Government assistance		(20,000)	
Presumed interest on lease liability		1,468	2,400
Net change in working capital items	5	(246,334)	(73,537)
Cash flows from operating activities		<u>(148,040)</u>	<u>(355,129)</u>
<b>INVESTING ACTIVITIES</b>			
Net change in term deposit and cash flows from investing activities		<u>—</u>	<u>70,000</u>
<b>FINANCING ACTIVITIES</b>			
Exercise of options		29,985	
Payment of long-term debt		(40,000)	
Payment of lease liability		(18,000)	(18,000)
Cash flows from financing activities		<u>(28,015)</u>	<u>(18,000)</u>
<b>Net change in cash</b>		<u>(176,055)</u>	<u>(303,129)</u>
Cash, beginning of year		<u>378,424</u>	<u>681,553</u>
Cash, end of year		<u><u>202,369</u></u>	<u><u>378,424</u></u>
Income taxes paid (received) during the year		—	—
Interests paid during the year		—	—

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

# The Good Shroom Co Inc.

## Notes to Consolidated Financial Statements

For the years ended July 31, 2024 and 2023

(In Canadian dollars)

---

### 1 - GOVERNING STATUTES, NATURE OF OPERATIONS AND GOING CONCERN

The Good Shroom Co Inc. ("TGSC" or together with its subsidiary the "Company") was incorporated under the *Business Corporations Act (Ontario)* on August 11, 2011. The head office of the Company, which is also the main establishment, is located at 11 Beacon Street, Kirkland, Quebec, Canada, H9J 2E9. The shares of the Company are listed on the Exchange under the symbol "MUSH".

The Company is granted a Micro-processing license ("MPL") by Health Canada (the "License"). The License allows the Company, under Seul CDB, to manufacture and sale cannabis products in the form of edibles, including beverages, and to package and label the products.

#### *Going Concern*

The accompanying consolidated financial statements have been prepared on the basis of the on going concern assumption meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period.

For the year ended July 31, 2024, the Company recorded a net income of \$40,603 (net loss of \$452,140 for the year ended July 31, 2023) and 89% (93% for the year ended July 31, 2023) of its revenues are from one customer. Also the Company has an accumulated deficit of \$12,755,260 as at July 31, 2024 (\$12,795,863 as at July 31, 2023). Besides the usual needs for working capital, the Company must achieve consistent profitability, generate positive cash flows from operations and obtain funds to enable it to pay its overhead and administrative costs. As at July 31, 2024, the Company had a working capital of \$545,789 (\$418,636 as at July 31, 2023). Management believes that these funds may not be sufficient to meet the obligations and liabilities of the Company. These uncertainties cast significant doubt regarding the Company's ability to continue as a going concern. Although management was able to raise funds in the past, there is no assurance that it will succeed in obtaining additional financing in the future.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

#### **2.1 Basis of presentation and statement of compliance**

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards). The Company's consolidated 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 25, 2024.

# The Good Shroom Co Inc.

## Notes to Consolidated Financial Statements

For the years ended July 31, 2024 and 2023

(In Canadian dollars)

---

### **2 - MATERIAL ACCOUNTING POLICIES**

#### **2.2 Functional and presentation currency**

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

#### **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 sale of cannabis based products in Canada and 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. Finished goods are manufactured externally. Cost of wellness beverages includes manufacturing process cost and raw material. Cost of cannabis products cost include the purchase price from suppliers. Costs 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.

# The Good Shroom Co Inc.

## Notes to Consolidated Financial Statements

For the years ended July 31, 2024 and 2023

(In Canadian dollars)

---

### **2 - MATERIAL ACCOUNTING POLICIES (Continued)**

#### **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 profit or loss during the year in which they are incurred.

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.

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, if any, and then to any residual as a reduction of the individual asset or distributed in proportion to the assets of the CGU. 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 Good Shroom Co Inc.

## Notes to Consolidated Financial Statements

For the years ended July 31, 2024 and 2023

(In Canadian dollars)

---

### 2 - MATERIAL ACCOUNTING POLICIES (Continued)

#### 2.8 Leases (Continued)

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 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 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.

# The Good Shroom Co Inc.

## Notes to Consolidated Financial Statements

For the years ended July 31, 2024 and 2023

(In Canadian dollars)

### 2 - MATERIAL ACCOUNTING POLICIES (Continued)

#### 2.9 Income taxes (Continued)

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.

#### 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:

Financial assets and liabilities	Classification
Cash	Amortized cost
Receivables (excluding taxes receivable)	Amortized cost
Trade and other payables (excluding salaries and taxes payable)	Amortized cost
Long-term debt	Amortized cost

#### *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. 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.

# The Good Shroom Co Inc.

## Notes to Consolidated Financial Statements

For the years ended July 31, 2024 and 2023

(In Canadian dollars)

---

### 2 - MATERIAL ACCOUNTING POLICIES (Continued)

#### 2.10 Financial instruments (continued)

##### *Financial liabilities at amortized cost*

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

##### *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.

#### 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.

# The Good Shroom Co Inc.

## Notes to Consolidated Financial Statements

For the years ended July 31, 2024 and 2023

(In Canadian dollars)

---

### 2 - MATERIAL ACCOUNTING POLICIES (Continued)

#### 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 Earnings per share

Basic earnings per share is computed by dividing the net income or loss by the weighted average number of common shares outstanding during the year. The diluted profit/loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, 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. Stock options and warrants that could potentially dilute earnings per share in the future are detailed in Note 12.

#### 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 stock options or warrants, this account also includes the charge previously accounted for the warrants and the stock options within contributed surplus.

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.

# The Good Shroom Co Inc.

## Notes to Consolidated Financial Statements

For the years ended July 31, 2024 and 2023

(In Canadian dollars)

---

### **2 - MATERIAL ACCOUNTING POLICIES (Continued)**

#### **2.15 Segment reporting**

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

#### **2.16 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. 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. Any adjustments to cumulative share-based compensation resulting from a revision is recognized in the current period.

#### **2.17 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 or listed below have not been disclosed as they are not expected to have a material impact on the Company's consolidated financial statements.

# The Good Shroom Co Inc.

## Notes to Consolidated Financial Statements

For the years ended July 31, 2024 and 2023

(In Canadian dollars)

---

### 2 - MATERIAL ACCOUNTING POLICIES (Continued)

#### 2.17 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company (Continued)

##### *IFRS 18 Presentation and Disclosure in Financial Statements*

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations.

It also requires disclosure of newly defined management-defined performance measures in a single note, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified "roles" of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from "profit or loss" to "operating profit or loss" and removing the optionality around classification of cash flows from dividends and interest.

IFRS 18 and the amendments to the other standards are effective for reporting periods beginning on or after January 1, 2027, with earlier application permitted. IFRS 18 will apply retrospectively with specific transition provisions.

The Company is currently working to identify all impacts the amendments will have on the primary consolidated financial statements and notes to the consolidated financial statements.

When preparing the consolidated 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**

##### *Share-based compensation*

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

# The Good Shroom Co Inc.

## Notes to Consolidated Financial Statements

For the years ended July 31, 2024 and 2023

(In Canadian dollars)

### 2 - MATERIAL ACCOUNTING POLICIES (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.

### 3 - JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

#### 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 - REVENUES

	2024	2023
	\$	\$
Cannabis products	4,458,550	3,875,685
Wellness beverages	157,258	184,674
Other	20,225	
	<u>4,636,033</u>	<u>4,060,359</u>

For the year ended July 31, 2024, one customer represents 89% (93% in 2023) of revenues.

Revenues are generated in the following geographical markets:

	2024	2023
	\$	\$
Canada	4,556,458	3,956,315
United States	79,575	104,044
	<u>4,636,033</u>	<u>4,060,359</u>

### 5 - INFORMATION INCLUDED IN CASH FLOWS

The net change in working capital items is as follows:

	2024	2023
	\$	\$
Receivables	(155,889)	(288,967)
Inventories	(80,266)	(60,299)
Prepaid expenses		37,085
Trade and other payables	(10,179)	238,644
	<u>(246,334)</u>	<u>(73,537)</u>

# The Good Shroom Co Inc.

## Notes to Consolidated Financial Statements

For the years ended July 31, 2024 and 2023

(In Canadian dollars)

### 6 - INVENTORIES

	2024	2023
	\$	\$
Raw material	65,504	79,964
Finished goods	461,174	366,448
	<u>526,678</u>	<u>446,412</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.

### 7 - EQUIPMENT

	Equipment	Computer equipment	Total
	\$	\$	\$
Cost			
Balance, as at July 31, 2022, 2023 and 2024	<u>44,652</u>	<u>7,731</u>	<u>52,383</u>
Accumulated depreciation			
Balance, as at July 31, 2022	12,044	2,577	14,621
Depreciation	<u>4,643</u>	<u>2,577</u>	<u>7,220</u>
Balance, as at July 31, 2023	16,687	5,154	21,841
Depreciation	<u>4,643</u>	<u>2,577</u>	<u>7,220</u>
Balance, as at July 31, 2024	<u>21,330</u>	<u>7,731</u>	<u>29,061</u>
Net book value as at July 31, 2023	27,965	2,577	30,542
Net book value as at July 31, 2024	23,322		23,322

### 8 - LEASES

	2024	2023
	\$	\$
Right-of-use assets		
Cost		
Opening balance	148,623	266,738
Lease modification		(118,115)
Ending balance	<u>148,623</u>	<u>148,623</u>
Accumulated depreciation		
Opening balance	120,573	106,548
Depreciation	<u>14,064</u>	<u>14,025</u>
Ending balance	<u>134,637</u>	<u>120,573</u>
Ending net carrying amount	<u>13,986</u>	<u>28,050</u>

# The Good Shroom Co Inc.

## Notes to Consolidated Financial Statements

For the years ended July 31, 2024 and 2023

(In Canadian dollars)

### 8 - LEASES (Continued)

	2024	2023
	\$	\$
Lease liabilities		
Opening Balance	34,060	167,775
Lease modification		(118,115)
Lease payments	(18,000)	(18,000)
Interest	1,468	2,400
Ending balance	17,528	34,060
Current portion	17,528	14,402
Non-current portion	-	19,658

On August 1, 2022 the lease agreement was amended whereby the monthly rent was reduced to \$1,500. The reduction was based on less processing requirements versus usage of the facility as a flow through for cannabis shipped to retailers.

Contractual undiscounted payments under lease liabilities are as follows:

	\$
Within one year	18,000

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.

### 9 - LONG-TERM DEBT

	2024	2023
	\$	\$
Canada Emergency Business Account, without interest, repaid during the year	-	40,000

During the year ended July 31, 2024, the Company recognized \$20,000 in government assistance as Other revenues (Note 4)

### 10 - SHARE CAPITAL

#### Authorized share capital

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

# The Good Shroom Co Inc.

## Notes to Consolidated Financial Statements

For the years ended July 31, 2024 and 2023

(In Canadian dollars)

### 11 - INCOME TAXES

#### 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:

	2024	2023
	\$	\$
Expected tax expense (recovery) calculated using the combined federal and provincial tax rate in Canada of 26.5%	10,760	(119,818)
Adjustments for the following items:		
Tax impact of unrecognized temporary differences	53,145	80,754
Previously unrecognized tax losses used in the year	(80,270)	
Share based compensation	14,559	38,929
Non-deductible expenses and other	1,806	135
Total tax expense	<u>–</u>	<u>–</u>

#### 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:

	2023	Profit or loss	2024
	\$	\$	\$
Right-of-use asset	(6,403)	4,715	(1,688)
Lease liabilities	6,403	(4,715)	1,688
	<u>–</u>	<u>–</u>	<u>–</u>
	2022	Profit or loss	2023
	\$	\$	\$
Right-of-use asset	(42,078)	35,675	(6,403)
Lease liabilities	42,078	(35,675)	6,403
	<u>–</u>	<u>–</u>	<u>–</u>

# The Good Shroom Co Inc.

## Notes to Consolidated Financial Statements

For the years ended July 31, 2024 and 2023

(In Canadian dollars)

### 11 - INCOME TAXES (Continued)

As at July 31, 2024, the Company has the following temporary differences for which no deferred tax assets are recognized for a value of \$1,261,320.

	Federal	Quebec	Ontario
	\$	\$	\$
Lease liabilities	11,158	11,158	
Non-capital losses	4,570,292	3,676,017	1,092,100
Financing fees	92,399	92,399	
	<u>4,673,849</u>	<u>3,779,574</u>	<u>1,092,100</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	175,425		175,425
2041	1,784,401	1,910,546	72,090
2042	1,112,956	1,113,423	
2043	378,861	377,984	
2044	274,064	274,064	
	<u>4,570,292</u>	<u>3,676,017</u>	<u>1,092,100</u>

# The Good Shroom Co Inc.

## Notes to Consolidated Financial Statements

For the years ended July 31, 2024 and 2023

(In Canadian dollars)

### 11 - INCOME TAXES (Continued)

As at July 31, 2023, the Company has the following temporary differences for which no deferred tax assets are recognized for a value of \$1,288,445.

	Federal	Quebec	Ontario
	\$	\$	\$
Lease liabilities	9,898	9,898	
Non-capital losses	4,600,967	3,711,963	1,092,100
Financing fees	163,057	163,057	
	<u>4,773,922</u>	<u>3,884,918</u>	<u>1,092,100</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	435,195	257,817	175,425
2041	1,827,693	1,955,432	72,090
2042	1,112,956	1,117,378	
2043	380,538	381,336	
	<u>4,600,967</u>	<u>3,711,963</u>	<u>1,092,100</u>

### 12 - SHARE-BASED COMPENSATION

During the year ended July 31, 2021, the Company granted to one of its employees 3,000,000 shares which vested in 2022 and 2023. During the year ended July 31, 2023, the Company issued 1,700,000 shares to the employee. \$22,569 was recorded as share-based compensation during the year ended July 31, 2023. As at July 31, 2024, 900,000 shares are issuable.

#### 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 at various rates over periods of one or two years.

# The Good Shroom Co Inc.

## Notes to Consolidated Financial Statements

For the years ended July 31, 2024 and 2023

(In Canadian dollars)

### 12 - SHARE BASED COMPENSATION (Continued)

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

	2024		2023	
	Number outstanding stock options	Weighted average exercise price \$	Number outstanding stock options	Weighted average exercise price \$
Opening Balance	3,055,000	0.21	3,355,000	0.19
Granted	720,000	0.12	500,000	0.16
Expired			(800,000)	0.10
Forfeited	(605,000)	0.24		
Exercised	(300,000)	0.10		
Closing balance	2,870,000	0.19	3,055,000	0.21
Exercisable	2,510,000	0.20	2,805,000	0.21

An expense of \$54,939 was recognized during the year ended July 31, 2024 (\$124,334 in 2023). The weighted average share price at the time of exercise of the options was \$0.16.

The following table provides outstanding share options information as at July 31, 2024:

Expiry date	Outstanding stock options		
	Number outstanding stock options	Exercise price	Remaining life (years)
January 3, 2027	120,000	0.17	2.43
April 30, 2028	1,050,000	0.30	3.75
January 25, 2029	750,000	0.10	4.49
March 30, 2030	350,000	0.16	5.67
April 24, 2030	100,000	0.135	5.73
June 19, 2032	500,000	0.11	7.89
Outstanding as at July 31, 2024	2,870,000	0.19	

# The Good Shroom Co Inc.

## Notes to Consolidated Financial Statements

For the years ended July 31, 2024 and 2023

(In Canadian dollars)

### 12 - SHARE BASED COMPENSATION (Continued)

The following table provides outstanding share options information as at July 31, 2023

Expiry date	Outstanding stock options		
	Number outstanding stock options	Exercise price	Remaining life (years)
April 30, 2028	1,455,000	0.30	4.75
January 25, 2029	1,100,000	0.10	5.49
March 30, 2030	500,000	0.16	6.66
Outstanding as at July 31, 2023	<u>3,055,000</u>	<u>0.21</u>	

In 2024, the weighted average fair value of \$0.10 per option has been estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

Share price	\$0.12
Exercise price	\$0.12
Risk free interest rate	4.50%
Expected dividend yield	Nil
Expected volatility <sup>(1)</sup>	108%
Expected life	7 years

In 2023, the weighted average fair value of \$0.14 per option has been estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

Share price	\$0.16
Exercise price	\$0.16
Risk free interest rate	4.29%
Expected dividend yield	Nil
Expected volatility <sup>(1)</sup>	118%
Expected life	7 years

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

# The Good Shroom Co Inc.

## Notes to Consolidated Financial Statements

For the years ended July 31, 2024 and 2023

(In Canadian dollars)

### 13 - FINANCIAL ASSETS AND LIABILITIES

#### Classification of financial assets and liabilities

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

	2024		2023	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets at amortized cost				
Cash	202,369	202,369	378,424	378,424
Receivables (excluding taxes receivable)	681,350	681,350	485,682	485,682
	<u>883,719</u>	<u>883,719</u>	<u>864,106</u>	<u>864,106</u>
Financial liabilities at amortized cost				
Trade and other payables	753,140	753,140	772,820	772,820
Long term-debt			40,000	40,000
	<u>753,140</u>	<u>753,140</u>	<u>812,820</u>	<u>812,820</u>

Financial assets and financial liabilities measured at fair value in the consolidated 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) 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 Good Shroom Co Inc.

## Notes to Consolidated Financial Statements

For the years ended July 31, 2024 and 2023

(In Canadian dollars)

---

### 14 - 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 equity of \$583,097 (\$457,570 in 2023)

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.

### 15 - FINANCIAL INSTRUMENTS RISKS

#### Risk management objectives and policies

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

#### *Credit risk*

The maximum exposure to credit risk is limited to the carrying amount of cash and receivables as at July 31, 2024 and 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. As at July 31, 2024, 69% (97% in 2023) of receivables are from a single customer which is a government entity in Quebec and risk of default is considered low.

#### *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, 2024 and 2023, exposure to this risk is not significant.

# The Good Shroom Co Inc.

## Notes to Consolidated Financial Statements

For the years ended July 31, 2024 and 2023

(In Canadian dollars)

### 15 - FINANCIAL INSTRUMENTS RISKS (Continued)

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

	2024		
	Less than 1 year	1 to 5 years	5 years and more
	\$	\$	\$
Trade and other payables	753,140	–	–

  

	2023		
	Less than 1 year	1 to 5 years	5 years and more
	\$	\$	\$
Trade and other payables	772,820		
Long-term debt (including interest)	40,000		
Total	812,820	–	–

### 16 - RELATED PARTY TRANSACTIONS

#### Transactions with key management and members of the Board of Directors

The remuneration of key management, that is the President and Chief Executive Office and Chief Financial Officer for the years ending:

	2024	2023
	\$	\$
Salaries and expenses for employee benefits	346,154	221,224
Shared base compensation	54,939	146,903
	401,093	368,127

Also, the Company incurred expenses of \$62,675 (\$32,121 in 2023) with companies controlled by an officer.

# The Good Shroom Co Inc.

## Notes to Consolidated Financial Statements

For the years ended July 31, 2024 and 2023

(In Canadian dollars)

### 17 - EARNINGS PER SHARE

Both the basic and diluted earnings per share have been calculated using the net income (loss) as the numerator, ie no adjustments to net income (loss) were necessary in 2024 or 2023.

The reconciliation of the weighted average number of shares for the purposes of diluted earnings per share to the weighted average number of common shares used in the calculation of basic earnings per share is as follows :

	<u>2024</u>	<u>2023</u>
Basic weighted average number of shares	50,575,502	49,140,397
Shares deemed to be issued for performance shares	900,000	
Shares deemed to be issued for stock options	<u>416,987</u>	
Diluted weighted average number of shares	<u><u>51,892,489</u></u>	<u><u>49,140,397</u></u>

In 2023, performance shares and stock options were not included in the calculation of diluted earnings per share because they are antidilutive.