

THE GOOD SHROOM CO.

Management Discussion & Analysis

For the year ended July 31, 2024

Effective Date: November 25, 2024

Management Discussion & Analysis

For the year ended July 31, 2024

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, 2024. Teonan Biomedical Inc. ("Teonan") 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 audited Consolidated Financial Statements for the year ended July 31, 2024 and the related notes for the same period.

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

FORWARD LOOKING INFORMATION

This MD&A may include forward-looking statements. Forward-looking statements are statements that are not historical facts, and include, but are not limited to, estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to the Company's products, its business model, future operations, the impact of regulatory initiatives on its operations, the size of and opportunities related to the markets for the products, general industry and macroeconomic growth rates and statements regarding future performance. Forward-looking statements used in this MD&A are subject to various risks and uncertainties, most of which are difficult to predict and are generally beyond the control of the Company. If risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those expected, estimated or projected in this MD&A. Forward-looking statements in this document are not a prediction of future events or circumstances, and those future events or circumstances may not occur. Given these uncertainties, users of the information included herein, including investors and prospective investors are cautioned not to place undue reliance on such forward-looking statements.

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

DESCRIPTION OF THE COMPANY AND OVERALL PERFORMANCE

The Company's subsidiary, Teonan, 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 Alberta, Ontario and Prince Edward Island as of Q1 of the current fiscal year.

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)	2024	2023
Net Revenue	3,893,410	3,163,021
Gross Margin - \$	1,225,022	665,115
Gross Margin - %	26.4%	16.4%
General & Administrative expenses*	933,252	909,718
Net Profit (Loss)	40,603	(452,140)
Total Assets	1,482,863	1,444,047
Total Liabilities	899,766	986,477
Equity	583,097	457,570

*Does not include selling & financial expenses

Net Revenue and Gross Margin

Net Revenue was \$3,893,410 for the year ended July 31, 2024 compared to \$3,163,021 for the same period in the prior year. This represents 23% growth from the previous fiscal year.

Though growth was stymied in the last quarter, the Company has set in place a number of efficiencies to offset slower growth which are described below.

More than 96% of the Company's sales are derived from the sale of cannabis related products. Additionally, the majority of the latter mentioned revenue is generated through sales to the Quebec government entity controlling cannabis in the province.

Over the course of the last fiscal year, the Company has diversified its portfolio of cannabis products expanding into categories such as edibles, capsules and its dried flower offerings as well as variations on concentrates such as hash infused pre-rolls. The development of new cannabis products was considerate of larger profit margins and opportunities to create economies of scale whenever possible thus contributing to lower costs of goods sold ("COGS").

Additionally, many of the new cannabis products not only have better profit margins on a percentage basis, thus resulting in COGS of 57.5% fiscal year ended July 31, 2024 vs 61.5% the prior fiscal year, but also have lower excise tax which is a main contributor to overall COGS. For example, typically a hash product in the concentrates category, depending on size, would cost \$6-\$9/unit in excise. However, by comparison all products in dried flower categories of standard 3.5 gram size only cost \$3.50/unit in excise. Others such as edible cannabis products also have much lower excise, on average \$0.10/unit and CBD only products have no excise at all. The result is the excise tax cost at July 31, 2024 was \$742,623 versus \$897,338 in the prior year.

Sales of Teonan instant beverages were \$157,258 for year ended July 31, 2024 in comparison to \$184,674 for the comparable period las year.

The Company remains status quo with respect to sales of the Teonan beverages whereby with minimal effort it has maintained a steady stream of small but consistent sales. The Company anticipates new marketing efforts in both Canada and the US this upcoming fiscal year. However, the primary focus will remain the continued expansion of cannabis sales across Canada.

As a result, and indirectly discussed above, the Company's gross margin for the year ended July 31, 2024 was much higher \$1,225,022 in comparison to the previous fiscal year \$665,115. In summary, this was due to economies of scale and sales of more diversified cannabis products with better profit margins and lower excise taxes on a per unit basis.

The above strategies will continue to be a part of cannabis product expansion opportunities in the upcoming fiscal year.

Expenses

Selling Expenses

Selling expenses for the year ended July 31, 2024 were \$249,699 compared to 205,137 in the prior year. These expenses are primarily commission fees paid on sales of cannabis and associated freight and delivery costs. A significant portion of the delivery costs is incurred weekly with shipments to network of Quebec cannabis retailers on a weekly basis. With expanded sales this cost has actually gone down on a per unit basis since the Company shipped more products to each store on average per week. Thus, bringing down the allocated delivery costs on a per unit basis.

Additionally, sales commission on Quebec cannabis products sold (majority of revenue) were renegotiated to a much lower percentage also resulting in decrease overall selling costs for the fiscal year.

General & Administrative

Salaries for the year ended July 31, 2024 were \$417,585 compared to \$277,663 in the prior year. The Company overall had more employees active this year (included some temporary employees) and brought on an additional full-time employee as well. The addition of the full-time employee was offset by the elimination of the need for expensive third-party service providers. The latter will continue to benefit the Company as a whole into the new fiscal year. Additionally, cost cutting measures in the form of temporary salary reductions implemented in the prior year came to an end during the fiscal year ended July 31, 2024. The net result is an increased cost of salaries in comparison to the prior year.

Share-based compensation for the year ended July 31, 2024 was \$54,939 compared to \$146,903 in the prior year. Though not an impact on cash flow, this 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, 2024 were \$251,421 compared to \$166,462 in the prior year. The increase was due in large part to increased quality assurance cost for cannabis products from third party services providers as well as the upgrade in the Company's cannabis license from a micro to a standard license. Other one-time costs for accounting were incurred which also contributed to higher overall costs for the fiscal year.

Insurance

The cost of insurance was \$88,641 for fiscal year ended July 31, 2024 in comparison to \$117,524 in the prior fiscal year. This reduction was due to continuous efforts to find lower insurance coverage and share costs with partners whenever possible. The insurance industry with respect to cannabis still however remains relatively high in comparison to other industries.

Promotional & Marketing

Both these costs were reduced over the course of the fiscal year, \$32,760 in promotion for fiscal year ended July 31, 2024 compared to \$96,556 the prior year, thanks to elimination of costs related to the promotion and sales of Teonan functional beverages in the US that were not creating sufficient return of investment.

Marketing and representation expenses were \$9,885 for the year ended July 31, 2024 compared to \$27,894 in the previous year. The expenses were lower than in prior years as the Company has decided to take a more quality versus quantity approach with more strategic releases of Company news.

Net Financial Income

Net profit was \$40,603 for the year ended July 31, 2024 compared to a loss (\$452,140) in the previous year. This is the first fiscal year the company has shown a profit and is thanks in large part to continued monitoring of costs and implemented reduction strategies where permissible. Additionally, due care was taken to bring on products to the portfolio with overall better profit margins given all associated costs (ex. excise tax, commissions, delivery, etc.) and to capitalize

on opportunities to create economies of scale by selling higher performing products through additional sales channels when possible.

Liquidity

At July 31, 2024, the Company held assets of \$1,482,863 in comparison to \$1,444,047 of assets in the previous period ended July 31, 2023. The cash position in date of July 31 2024 was \$202,369 in comparison to \$378,424 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, \$681,350 (\$525,461 prior year), and inventories, \$526,678 (\$446,412 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 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 \$899,766 as at July 31, 2024 in comparison to \$966,819 as at July 31, 2023. The decrease is primarily attributed to the repayment of Canadian government loan known as the CEBA loan and overall lower costing cannabis products that the Company has added to its portfolio.

As a good business practice, the Company continues to diversify its cannabis suppliers' portfolio to allow it to offer new and exciting cannabis products that meet its criteria. Therefore, if the products are of a certain cannabis category, with lower costs, with steady supply available and the terms of payment favorable then we will likely add this vendor to our network. Successful submission of cannabis products is ultimately the determining factor in officially working with a new and/or current supplier. Overall, payment terms with cannabis suppliers remain favorable and help to minimize, to the extent possible, the impact on cash flow while expanding the business.

NON IFRS MEASURE

The Company's EBIDTA was \$116,826 for the period ended July 31, 2024. There were other one-time costs which will not be recurring this upcoming fiscal year which would contribute to an even higher EBDITA if presented on an adjusted basis.

	Year ended
	July 31,
In Dollars (CDN)	2024
Net Profit	40,603
Add Back Non Cash Expenditures:	
Share-Based Compensation	54,939
Depreciation	21,284
EBIDTA	116,826

QUARTERLY RESULTS

Revenue & Net Profit

Sales for the quarter ended July 31, 2024 were \$862,983 compared to \$1,129,281 in the prior year. This is inclusive of year end adjustments and therefore can be a bit misleading. However, it does not deter from the fact that the fourth quarter was less than expected revenue based in large part by weaker sales of cannabis products in Quebec. The Company works closely with the Quebec purchaser of cannabis products to anticipate demand and in the last quarter the projections were much lower than anticipated thus resulting in lower sales. There were also some product shortages in the quarter that also contributed to lower sales although minimal in comparison to the shortfall on projections. The latter could not be mitigated any further. The Company resolves to work more closely with suppliers to try to better anticipate any shortages and minimize impact whenever possible.

As a result, the Company going forward will be even further conservative in projections when taking into consideration projections from (in this case) the Quebec cannabis entity.

The Company has seen this trend of lower than anticipated cannabis sales in Quebec continue into the 1st quarter of the current fiscal year. Additionally, the Quebec cannabis entity implemented a rationalization of SKUs offered at its cannabis retail locations further resulting ultimately in lower sales. The latter has impacted all cannabis companies focused on the Quebec market. In response, the Company has adjusted its internal projections and supply requirements for the second quarter onward. It will continue to expand its offering to other cannabis distribution channels to offset its dependence solely on the Quebec cannabis market.

OUTSTANDING SHARE DATA

As of the date hereof, there are 50,575,502 common shares of the Company issued and outstanding, 3,170,000 stock options in circulation and 0 warrants.

SUBSEQUENT EVENTS

Launch of DYPs in Alberta

The Company launched a new cannabis product named DYPs in Alberta during the 1st quarter. DYPs are cannabis infused versions of a highly popular product that began selling in North America in the last few years. This is a form of concentrate that is low cost, thanks in part to the type of product it is and also to minimal excise relative to the total THC cannabinoid content. The latter allows the Company to very favorably price the product so that consumers can get the most value for the money in terms of THC content to price ratio.

The product sold out in its initial launch in Alberta within the first 24 hours. This product is expected to do equally as well as it will be launched in other provinces across Canada throughout the fiscal year. This product along with other market expansion strategies is expected to help offset any lower than anticipated cannabis sales in markets such as Quebec.

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:

Financial assets and liabilities	Classification
Cash	Amortized Cost
Receivables (excluding taxes receivable)	Amortized Cost
Trade and other payables (excluding salaries 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. 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, 2024.

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, 2024 and 2023, 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 and Chief Financial Officer and a company providing 3rd party services associated with the CEO:

	2023-2024	2022-2023
Salaries and expenses for employee benefits	\$346,154	\$221,224
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, 2024, 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, 2024.

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.