

The Good Shroom Co Inc.

Management Discussion & Analysis

For the Quarter Ended October 31, 2024

Effective Date: December 20, 2024

This Management Discussion and Analysis (“MD&A”) outlines the financial position and operating results of The Good Shroom Co Inc. (the “Company”), formerly Cluny Capital Corp., for the quarter ended October 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 15, 2021. This document should be read in conjunction with the audited Consolidated Financial Statements and the related notes for the same period.

This discussion is not all-encompassing, as it excludes general economic, political, and environmental conditions that may impact the Company in the future. All dollar amounts are stated in Canadian dollars.

Forward-Looking Information

This MD&A contains forward-looking statements that are not historical facts. These statements include, but are not limited to, estimates and assumptions, plans, objectives, and expectations regarding the Company’s products, business model, future operations, regulatory impacts, and market opportunities. Forward-looking statements are subject to risks and uncertainties, most of which are beyond the Company’s control. If such risks or uncertainties materialize, or if assumptions prove incorrect, actual results may differ materially from expectations. Readers are advised not to place undue reliance on 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 operates through its subsidiary, Teonan, which develops and sells two distinct product lines:

1. **Cannabis and Cannabis-Infused Products:** Sold primarily in Quebec, these products include cannabis-infused beverages and innovations such as THC-infused pouches (“Dyps”). The Company holds a Standard Processing License issued by Health Canada, allowing it to manufacture and distribute cannabis products nationwide without volume restrictions.
2. **Teonan™ Instant Beverages:** A line of organic tea and coffee-based wellness beverages made with custom blends of mushroom extracts and probiotics. The beverages are certified organic (Ecocert – USDA), vegan, dairy-free, GMO-free, gluten-free, and sugar-

free. Teonan beverages are sold direct-to-consumer online and through select retail locations across North America.

The Company's cannabis products are primarily listed in Quebec but have expanded into Alberta, Ontario, and Prince Edward Island as of Q1 2024.

Quarter-End Highlights

The Company has remained focused on managing administrative costs while building its cannabis product portfolio with products designed to deliver consistent sales at reasonable costs. For the quarter ended October 31, 2024:

- **Revenue Decline:** Sales totaled \$824,225, compared to \$1,510,586 in the same quarter last year. This decline reflects the impact of the Quebec cannabis authority's recent product rationalization, which reduced listings for all cannabis suppliers.
- **Post-Rationalization Outlook:** Sales volumes post-October have shown slight improvement. To mitigate reliance on Quebec, the Company launched Dyps (THC-infused pouches) in Alberta with strong initial results. This trend is expected to drive consistent sales growth both in Quebec and nationally.
- **Product Returns:** Returns from Quebec and Alberta also impacted overall sales. While returns are cyclical in Quebec, this was the first occurrence in Alberta. The Company is improving collaboration with Alberta provincial buyers to enhance sales forecasting and minimize future returns.

Subsequent Events

- **New Product Launches:** In late October, the Company introduced new products in Quebec to address gaps created by the product rationalization.
- **Dyps Expansion:** The Dyps product line has gained traction. Additional provincial launches are planned throughout 2025, and the financial impact is expected to materialize in Q2 2025.

Results from Operations

- **Sales and Gross Margin:** Sales for the quarter ended October 31, 2024, were \$824,225 (\$691,382 net of excise), compared to \$1,510,586 in the prior year. Gross margin was \$234,356 (33.9%), compared to \$483,605 (32%) last year. While the decline in revenue is notable, the margin percentage remains relatively consistent.
- **Selling Expenses:** Selling expenses decreased to \$56,271 from \$130,923 in the prior year, reflecting improved operational efficiencies and cost-saving measures.
- **Professional Fees:** Professional fees totaled \$67,965, down from \$113,240 last year, due to the decision to bring quality assurance management in-house, reducing external service costs.
- **Insurance Costs:** Insurance expenses were \$18,215, compared to \$25,287 in the prior year.

Liquidity

As of October 31, 2024:

- **Assets:** Total assets were \$1,405,195, slightly down from \$1,482,863 as of July 31, 2024.
- **Cash Position:** Cash on hand was \$168,332, compared to \$202,369 in the prior period.
- **Trade Payables:** Trade payables decreased to \$854,749 from \$882,238, aligning with reduced sales and careful cash flow management.
- **Debt-Free Balance Sheet:** The Company continues to operate without long-term debt.

Non-IFRS Measure

The Company reported an EBITDA loss of \$40,592 for the quarter. One-time costs, which will not recur in future quarters, further contributed to this figure.

Related Party Transactions

Key management compensation for the quarter included:

- Salaries of key personnel: \$78,036
- Payments to Cargologan Inc.: \$15,367

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements as of October 31, 2024.

Conclusion

While the quarter presented challenges, including a decline in revenue and product returns, the Company's strategic initiatives and operational efficiencies position it for future growth. The Dyps product line, in particular, is expected to drive sales expansion in new markets. The Company remains committed to innovation, efficiency, and adaptability.

For more information, visit the Company's profile on SEDAR at www.sedar.com.