

Interim Condensed Consolidated Financial Statements of

GURU ORGANIC ENERGY CORP.
(formerly Mira X Acquisition Corp.)

Three-month and nine-month periods ended July 31, 2021 and 2020
(Unaudited)

GURU ORGANIC ENERGY CORP.

(formerly Mira X Acquisition Corp.)

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(Unaudited)

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GURU ORGANIC ENERGY CORP.

(formerly Mira X Acquisition Corp.)

Interim Condensed Consolidated Statements of Financial Position

July 31, 2021 and October 31, 2020

(Unaudited)

	July 31, 2021	October 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 68,479,675	\$ 30,418,296
Trade and other receivables	4,702,566	2,949,806
Income taxes receivable	357,476	–
Refundable investment tax credits	97,472	72,375
Inventories	7,318,479	6,311,783
Prepaid expenses	370,187	395,210
	81,325,855	40,147,470
Fixed assets	893,943	43,794
Intangible assets	30,548	39,416
Right-of-use assets (note 7)	1,976,851	206,113
Other assets	859,804	364,033
Long-term deposit	49,250	–
Deferred tax assets	584,723	993,623
	\$ 85,720,974	\$ 41,794,449

See accompanying notes to interim condensed consolidated financial statements.

GURU ORGANIC ENERGY CORP.

(formerly Mira X Acquisition Corp.)

Interim Condensed Consolidated Statements of Financial Position (continued)

July 31, 2021 and October 31, 2020

(Unaudited)

	July 31, 2021	October 31, 2020
Liabilities and Shareholders' Equity		
Current liabilities:		
Credit facilities (note 8)	\$ –	\$ 13,318
Accounts payable and accrued liabilities	4,975,670	7,345,147
Income taxes payable	78,956	315,405
Current portion of long-term debt (note 9)	–	155,000
Current portion of lease liabilities (note 10)	332,616	81,586
	<u>5,387,242</u>	<u>7,910,456</u>
Deferred tax liabilities	–	93,483
Long-term debt (note 9)	–	120,000
Lease liabilities (note 10)	1,658,167	102,038
Stock warrant obligations (note 18)	236,312	–
	<u>7,281,721</u>	<u>8,225,977</u>
Shareholders' equity:		
Share capital	85,578,900	36,550,646
Contributed surplus	483,540	639,682
Deficit	(7,431,188)	(3,569,375)
Accumulated other comprehensive loss	(191,999)	(52,481)
	<u>78,439,253</u>	<u>33,568,472</u>
	<u>\$ 85,720,974</u>	<u>\$ 41,794,449</u>

See accompanying notes to interim condensed consolidated financial statements.

On behalf of the Board:

_____ Director

_____ Director

GURU ORGANIC ENERGY CORP.

(formerly Mira X Acquisition Corp.)

Interim Condensed Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income

Three-month and nine-month periods ended July 31, 2021 and 2020

(Unaudited)

	<u>Three-month periods ended</u>		<u>Nine-month periods ended</u>	
	July 31, 2021	July 31, 2020	July 31, 2021	July 31, 2020
Revenue (note 13)	\$ 8,048,738	\$ 6,594,755	\$ 21,724,984	\$ 15,985,266
Cost of goods sold	3,011,858	2,244,100	8,156,165	5,652,192
Gross profit	5,036,880	4,350,655	13,568,819	10,333,074
Selling, general and administration expenses (note 14)	7,218,884	2,675,181	17,462,892	8,795,932
Net financial expenses (income) (note 15)	(6,156)	75,119	96,769	255,411
Reverse acquisition of Mira X expenses	35,755	–	112,070	–
	7,248,483	2,750,300	17,671,731	9,051,343
Loss before income taxes	(2,211,603)	1,600,355	(4,102,912)	1,281,731
Income taxes (recovery):				
Current	(92,734)	364,129	(515,049)	292,865
Deferred	(92,253)	–	273,950	–
	(184,987)	364,129	(241,099)	292,865
Net (loss) income	(2,026,616)	1,236,226	(3,861,813)	988,866
Other comprehensive income (loss):				
Item that may be reclassified subsequently to consolidated statements of (loss) income:				
Foreign operations - foreign currency translation differences	33,031	(78,444)	(139,518)	33,028
Total comprehensive (loss) income	\$ (1,993,585)	\$ 1,157,782	\$ (4,001,331)	\$ 1,021,894
Basic (loss) earnings per share (note 12)	\$ (0.07)	\$ 0.06	\$ (0.13)	\$ 0.04
Diluted (loss) earnings per share (note 12)	\$ (0.07)	\$ 0.05	\$ (0.13)	\$ 0.04

See accompanying notes to interim condensed consolidated financial statements.

GURU ORGANIC ENERGY CORP.

(formerly Mira X Acquisition Corp.)

Interim Condensed Consolidated Statements of Changes in Equity

Nine-month periods ended July 31, 2021 and 2020

(Unaudited)

	Share capital			Contributed surplus	Deficit	Accumulated other comprehensive loss - foreign currency translation	Total
	Number	Amount					
Balance as of October 31, 2020	28,907,954	\$ 36,550,646	\$ 639,682	\$ (3,569,375)	\$ (52,481)	\$ 33,568,472	
Net loss	–	–	–	(3,861,813)	–	(3,861,813)	
Stock options exercised	329,862	2,281,622	(499,365)	–	–	1,782,257	
Share issuances	3,097,594	49,561,502	–	–	–	49,561,502	
Share issuance costs, net of taxes of nil	–	(2,814,870)	–	–	–	(2,814,870)	
Stock-based compensation expense	–	–	343,223	–	–	343,223	
Foreign operations - foreign currency translation differences	–	–	–	–	(139,518)	(139,518)	
Balance as of July 31, 2021	32,335,410	\$ 85,578,900	\$ 483,540	\$ (7,431,188)	\$ (191,999)	\$ 78,439,253	
Balance as of October 31, 2019	24,507	\$ 3,425,576	\$ 60,000	\$ (1,412,981)	\$ (67,021)	\$ 2,005,574	
Net income	–	–	–	988,866	–	988,866	
Stock-based compensation expense	–	–	64,519	–	–	64,519	
Other comprehensive income:							
Foreign operations - foreign currency translation differences	–	–	–	–	33,028	33,028	
Balance as of July 31, 2020	24,507	\$ 3,425,576	\$ 124,519	\$ (424,115)	\$ (33,993)	\$ 3,091,987	

See accompanying notes to interim condensed consolidated financial statements.

GURU ORGANIC ENERGY CORP.

(formerly Mira X Acquisition Corp.)

Interim Condensed Consolidated Statements of Cash Flows

Nine-month periods ended July 31, 2021 and 2020

(Unaudited)

	Nine-month periods ended	
	July 31, 2021	July 31, 2020
Cash provided by (used in):		
Operating:		
Net (loss) income	\$ (3,861,813)	\$ 988,866
Adjustments for:		
Depreciation and amortization (note 14)	337,442	244,213
Income tax (recovery) expense	(241,099)	292,865
Net financial expenses	30,152	125,266
Stock-based compensation expense (note 17)	343,223	64,519
Derecognition of right-of-use asset and lease liability	(329)	–
Additions to other assets	(316,061)	(40,184)
Loss on disposition of capital assets	23,362	–
Income tax paid	(3,160)	(10,101)
Net change in non-cash operating working capital (note 16)	(5,279,510)	(2,260,470)
	(8,967,793)	(595,026)
Financing:		
Share issuances from public offering and private placement	49,561,502	–
Share issuances from exercise of stock options	1,782,257	–
Share issuance costs	(2,814,870)	–
Net change in credit facilities	(13,318)	1,700,000
Repayment of long-term debt	(275,000)	(247,500)
Interest and financing fees paid	(78,013)	(129,277)
Payment of lease obligation (note 10)	(218,897)	(139,516)
	47,943,661	1,183,707
Investing:		
Additions to fixed assets	(891,062)	–
Deposits on leases	(54,500)	–
Interest received	47,861	–
	(897,701)	–
Effect of movements in exchange rate on cash and cash equivalents held in foreign currency	(16,788)	1,916
Net increase in cash and cash equivalents	38,061,379	590,597
Cash and cash equivalents, beginning of period	30,418,296	149,652
Cash and cash equivalents, end of period	\$ 68,479,675	\$ 740,249

See accompanying notes to interim condensed consolidated financial statements.

GURU ORGANIC ENERGY CORP.

(formerly Mira X Acquisition Corp.)

Notes to Interim Condensed Consolidated Financial Statements

Three-month and nine-month periods ended July 31, 2021 and 2020
(Unaudited)

1. Reporting entity:

GURU Organic Energy Corp. (the "Company" or "GURU"), formerly Mira X Acquisition Corp. ("Mira X") up to the completion of the Amalgamation, as defined below, was incorporated under the *Canada Business Corporations Act* on April 28, 2005. The address of its registered office is 7236 Waverly, suite 602, Montréal, QC, Canada H2R 0C2. These interim condensed consolidated financial statements comprise the Company and its wholly-owned subsidiaries GURU Beverage Inc. and GURU Beverage Co. (together, the "Group"). The Group produces, markets and distributes energy drinks for sale in the Canadian and U.S. markets.

Private placement, Amalgamation and reverse takeover

On September 28, 2020, 6384269 Canada Inc. (doing business as GURU) entered into an amalgamation agreement with Mira X and Mira X Subco Inc. ("Mira X Subco"), pursuant to which 6384269 Canada Inc. and Mira X Subco agreed to amalgamate (the "Amalgamation") under the *Canada Business Corporations Act* to form a new entity, "Amalco", to complete an arm's-length qualifying transaction in accordance with the policies of the TSX Exchange (the "Qualifying Transaction").

Concurrently with the qualifying transaction, 6384269 Canada Inc. completed a private placement resulting in the issuance of 6,330,750 common shares for aggregate proceeds of \$34,502,587.

On October 29, 2020, the Amalgamation was completed, and Mira X changed its name to GURU Organic Energy Corp. On November 2, 2020, the common shares of GURU Organic Energy Corp began trading upon the Toronto Stock Exchange under the symbol "GURU" and the common shares of the former Mira X were delisted from the TSX Exchange.

For accounting purposes, it has been determined that Mira X was the accounting acquiree and 6384269 Canada Inc. was the accounting acquirer. Since 6384269 Canada Inc. is considered the accounting acquirer, these consolidated financial statements are prepared as a continuation of the financial statements of 6384269 Canada Inc. As a result, the 2020 comparative information included herein is solely that of 6384269 Canada Inc. For simplicity, transactions undertaken by 6384269 Canada Inc. are referred to as being undertaken by the Company in these interim condensed consolidated financial statements.

GURU ORGANIC ENERGY CORP.

(formerly Mira X Acquisition Corp.)

Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2021 and 2020

(Unaudited)

1. Reporting entity (continued):

COVID-19 pandemic

The COVID-19 pandemic continues to cause significant financial market and social dislocation. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. While the Company has experienced the impact of the outbreak of COVID-19 on its operations, it continued to operate during the current pandemic as it is considered an essential service in Canada and in the United States. The Company will continue to monitor developments of the pandemic and continuously assess its potential further impact on its operations to prevent any disruptions to customer demand. The Company has put in place multiple contingency plans to ensure its supply chain and general operations can be maintained with minimal disruption throughout the crisis. In the event of a prolonged continuation of the pandemic, it is not clear what the potential impact may be on the Company's business, financial position and financial performance.

2. Basis of accounting:

These interim condensed consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). These interim condensed consolidated financial statements do not include all of the disclosures required for annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the annual audited consolidated financial statements of the Company for the years ended October 31, 2020 and 2019.

The interim condensed consolidated financial statements of the Company for the three-month and nine-month periods ended on July 31, 2021 and 2020 were authorized by the Board of Directors ("Board") for issuance on September 13, 2021.

Operating segment

The Company determined that it operated a single operating segment.

Seasonality of interim operations

In Canada, GURU's sales are somewhat seasonal, tending to be higher in the spring through the fall, from the middle of the second quarter through the end of the fourth quarter, and somewhat lower in winter, from the start of the first quarter through the middle of the second quarter. In contrast, the U.S. market, with its overall warmer climate, generally does not see the same type of seasonal sales trend.

GURU ORGANIC ENERGY CORP.

(formerly Mira X Acquisition Corp.)

Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2021 and 2020

(Unaudited)

3. Functional and presentation currency and basis of measurement:

These interim condensed consolidated financial statements are presented in Canadian dollars, the Company's functional currency.

The interim condensed consolidated financial statements have been prepared on the historical cost basis, except for the following:

- equity classified share-based payment arrangements which are measured at fair value at grant date pursuant to IFRS 2, *Share-based payment*;
- lease liabilities, which are measured at the present value of minimum lease payments at lease inception; and
- stock warrant obligations, which is measured at fair value at each reporting date, pursuant to IFRS 9, *Financial Instruments*.

4. Use of judgments and estimates:

The preparation of the Company's interim condensed consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. These assumptions and estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

The Company's main judgments, estimates, and assumptions are the same as those applied and described in the Company's audited consolidated financial statements for the year ended October 31, 2020, except for the new warrant obligation in connection with the PepsiCo warrants as disclosed in Note 18.

Stock warrants:

The Company's accounting for warrants issued to PepsiCo Beverages Canada ("PepsiCo") is determined in accordance with the financial reporting guidance for financial instruments and revenue recognition. The initial fair value of warrants issued is recognized as an other asset and financial liability. The other asset is amortized against revenues over the duration of the agreement. Unexercised warrants are remeasured to fair value at each reporting period and the change in fair value recognized as financing expense or income. The valuation involves assumptions and estimates including future share price volatility, forecasted sales volume in Canada and probability of change of control event. Such estimates are subject to significant uncertainty.

GURU ORGANIC ENERGY CORP.

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Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2021 and 2020

(Unaudited)

5. Significant accounting policies:

Significant accounting policies applied in these interim condensed consolidated financial statements are the same as those applied to the Company's annual audited consolidated financial statements for the year ended October 31, 2020.

6. Standards issued but not yet effective:

The new standards below are effective for annual periods beginning after November 1, 2022 and earlier application is permitted; however, the Company has not early adopted these new or amended standards in preparing these interim condensed consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Company's interim condensed consolidated financial statements:

- Classification of liabilities as current or non-current (Amendments to IAS 1);
- Disclosure of accounting policy (Amendments to IAS 1);
- Definition of accounting estimates (Amendments to IAS 8).

7. Right-of-use assets:

	Building	Automotive equipment	Total
Balance as at October 31, 2019	\$ 145,153	\$ 168,687	\$ 313,840
Additions	–	74,261	74,261
Depreciation	(120,424)	(61,564)	(181,988)
Balance as at October 31, 2020	24,729	181,384	206,113
Additions	1,875,353	166,928	2,042,281
Depreciation	(192,220)	(68,666)	(260,886)
Derecognition	–	(10,657)	(10,657)
Balance as at July 31, 2021	\$ 1,707,862	\$ 268,989	\$ 1,976,851

During the nine-month period ended July 31, 2021, the Company signed a new seven-year lease for its head office located in Montréal, Canada, for which leasehold improvements were recently completed. An amount of \$55,830 of right-of-use asset depreciation has been capitalized to leasehold improvements within fixed assets.

GURU ORGANIC ENERGY CORP.

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Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2021 and 2020

(Unaudited)

8. Credit facilities:

On March 31, 2021, the Company signed a new committed revolving operating credit facility of a maximum authorized amount of CA\$10,000,000 maturing on March 30, 2024. The operating credit facility can be used in the form of Canadian dollar loans bearing interest at the prime rate (2.45% as at July 31, 2021) plus 0.50%, Canadian dollar bankers' acceptances bearing interest at 1.75%, American dollar loans bearing interest at the US base rate (3.75% as at July 31, 2021) plus 0.50% or in American dollar LIBOR loans bearing interest at the LIBOR rate (0.12% as at July 31, 2021 plus 1.75%. As at July 31, 2021, the credit facilities were not used (October 31, 2020 - US\$10,000 (CA\$13,318)).

The Company also has an uncommitted credit that can be used in the form of foreign exchange contracts or interest rate swaps for a maximum amount of US\$500,000 (October 31, 2020 - US\$550,000). This credit facility was not used as at July 31, 2021 (October 31, 2020 - nil).

The Company has a letter of credit for a maximum available of \$2,500,000 for which an amount of EUR300,000 (CA\$444,210) has been used as of July 31, 2021 (October 31, 2020 - EUR300,000 (CA\$465,492)).

The credit facilities noted above are secured by a movable hypothec on the universality of the Company's present and future assets located in the province of Québec to a maximum of \$25,000,000, a first-ranking security on all present and future property in all other Canadian provinces and in the United States and an unlimited corporate guarantee of its US subsidiary. These credit facilities are subject to certain financial covenants which were met as at July 31, 2021. The previous existing long-term debt has been repaid in full on March 2, 2021.

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Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2021 and 2020

(Unaudited)

9. Long-term debt:

	July 31, 2021	October 31, 2020
Term loan, repayable in monthly payments of \$17,500 in principal only plus interest at prime rate plus 2.50%, with additional repayments if free cash flows are available up to a maximum of \$130,000 annually, repaid in full during the period	\$ —	\$ 35,000
Term loan, repayable in monthly payments of \$10,000 in principal only plus interest at prime plus 2.50%, repaid in full during the period	—	240,000
	—	275,000
Current portion of long-term debt	—	(155,000)
	\$ —	\$ 120,000

The principal instalments payable over the next years, and debts maturing during that period, are as follows:

	July 31, 2021	October 31, 2020
Less than 1 year	\$ —	\$ 155,000
Between 1 and 5 years	—	120,000

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Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2021 and 2020

(Unaudited)

10. Lease liabilities:

The following table presents the lease obligations of the Company:

Lease obligations as at October 31, 2019	\$	297,663
Additions		65,738
Payment of lease obligations including interest		(191,861)
Interest expense on lease obligations		12,084
Lease obligations as at October 31, 2020		183,624
Additions		2,037,042
Payment of lease obligations including interest		(265,679)
Interest expense on lease obligations		46,782
Derecognition		(10,986)
Lease obligations as at July 31, 2021	\$	1,990,783

The following table presents the lease obligations of the Company:

	July 31, 2021	October 31, 2020
Contractual undiscounted cash flows:		
Less than 1 year	\$ 407,561	\$ 88,022
Between 1 and 5 years	1,331,745	103,171
More than 5 years	430,742	5,226
Total undiscounted lease liabilities	\$ 2,170,048	\$ 196,419
Lease liabilities included in the interim condensed consolidated statements of financial position	\$ 1,990,783	\$ 183,624
Current	332,616	81,586
Non-current	1,658,167	102,038

During the nine-month period ended July 31, 2021, the Company signed a new seven-year lease for its head office located in Montréal, Canada. Fixed rent payments for this lease represent a total commitment of \$2.1 million over the term of the lease. The lease agreement contains two five-year renewal options. Since the Company is not reasonably certain to exercise these options, they have not been considered in the lease liability.

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Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2021 and 2020

(Unaudited)

11. Share capital:

On July 6, 2021, the Company completed a public offering of \$17,600,000 resulting in the issuance of 1,100,000 common shares and a private placement of \$31,961,502 resulting in the issuance of 1,997,594 common shares for aggregate gross proceeds amounting to \$49,561,502.

12. Earnings per share:

	<u>Three-month periods ended</u>		<u>Nine-month periods ended</u>	
	<u>July 31,</u>	<u>July 31,</u>	<u>July 31,</u>	<u>July 31,</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Net (loss) income	\$ (2,026,616)	\$ 1,236,226	\$ (3,861,813)	\$ 988,866
Basic weighted average number of common shares	30,077,280	22,448,069	29,444,238	22,448,069
Basic (loss) earnings per share	\$ (0.07)	\$ 0.06	\$ (0.13)	\$ 0.04
Diluted weighted average number of common shares outstanding	30,077,280	22,656,981	29,444,238	22,656,981
Diluted (loss) earnings per share	\$ (0.07)	\$ 0.05	\$ (0.13)	\$ 0.04

In relation to the reverse takeover transaction, as described in Note 1, on October 29, 2020, the common shares of 6384269 Canada Inc. were split on a 1:916 basis (the "Share Split"). The Share Split is reflected retrospectively in the table above.

For the periods ended July 31, 2021, the diluted earnings per share calculation did not take into consideration the potential dilutive effect of the stock options, warrants, RSUs and DSUs as they are anti-dilutive.

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Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2021 and 2020

(Unaudited)

13. Revenue and assets by geography:

The following tables include revenues and non-current assets other than deferred tax assets by geography:

	Three-month periods ended		Nine-month periods ended	
	July 31, 2021	July 31, 2020	July 31, 2021	July 31, 2020
Revenue:				
Canada	\$ 6,990,511	\$ 5,307,914	\$ 18,433,625	\$ 12,852,302
United States	1,058,227	1,286,841	3,291,359	3,132,964
	\$ 8,048,738	\$ 6,594,755	\$ 21,724,984	\$ 15,985,266

	As at	
	July 31, 2021	October 31, 2020
Non-current assets other than deferred tax assets:		
Canada	\$ 3,318,533	\$ 442,480
United States	255,551	210,876
	\$ 3,574,084	\$ 653,356

14. Additional information on interim condensed consolidated statements of loss and comprehensive loss:

	Three-month periods ended		Nine-month periods ended	
	July 31, 2021	July 31, 2020	July 31, 2021	July 31, 2020
Employee benefit expense	\$ 1,763,586	\$ 698,196	\$ 5,071,566	\$ 2,421,044
Depreciation and amortization	147,834	80,003	337,442	244,213
National Canadian distribution agreement set-up costs (note 18)	113,190	–	147,338	–

GURU ORGANIC ENERGY CORP.

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Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2021 and 2020

(Unaudited)

15. Net financial expenses (income):

	<u>Three-month periods ended</u>		<u>Nine-month periods ended</u>	
	July 31, 2021	July 31, 2020	July 31, 2021	July 31, 2020
Interest on long-term debt	\$ —	\$ 5,091	\$ 4,219	\$ 21,229
Interest on line of credit	—	32,043	923	94,939
Interest on lease liabilities	16,940	2,633	46,782	9,471
Bank and financing fees, net	(5,356)	15,821	75,727	64,536
Foreign exchange (gain) loss	(7,611)	19,531	16,979	(4,011)
Interest revenue	(10,129)	—	(47,861)	—
	\$ (6,156)	\$ 75,119	\$ 96,769	\$ 255,411

16. Additional cash flow information:

The following table details the change in non-cash operating working capital:

	<u>Nine-month periods ended</u>	
	July 31, 2021	July 31, 2020
Trade and other receivables	\$ (1,804,232)	\$ (742,307)
Income taxes receivable	(357,553)	7,070
Inventories	(1,075,402)	(1,858,984)
Prepaid expenses	22,858	79,900
Refundable investment tax credits	(25,097)	110,874
Accounts payable and accrued liabilities	(1,803,746)	350,461
Income taxes payable	(236,338)	(207,484)
	\$ (5,279,510)	\$ (2,260,470)

GURU ORGANIC ENERGY CORP.

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Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2021 and 2020

(Unaudited)

17. Stock-based incentive plan:

The Company may grant its key employees, directors and consultants stock options to purchase common shares, and also grant restricted share units ("RSUs") and deferred share units ("DSUs"). The omnibus incentive plan (the "Plan") provides for the granting of options to purchase common shares, RSUs and DSUs where at any given time the number of stock options, RSUs and DSUs reserved for issuance should not exceed 10% of the Company's issued and outstanding common shares. Under the Plan, options generally vest over a period of four years and expire ten years from the grant date, RSUs generally vest over a period of three years, and DSUs are fully vested when granted. As at July 31, 2021, 2,998,059 stock options, RSUs and/or DSUs were available for issuance (October 31, 2020 - 2,355,826). Changes in the number of outstanding options, RSUs and DSUs related to the Plan were as follows:

	Options		RSU	DSU
	Number	Weighted average exercise price	Number	Number
Outstanding as at October 31, 2020	534,970	\$ 4.27	–	–
Granted	20,297	18.09	5,436	10,041
Exercised	(5,063)	2.39	–	–
Cancelled	(5,400)	2.39	–	–
Compensation options granted to agents exercised	(324,799)	5.45	–	–
Outstanding as at July 31, 2021	220,005	\$ 3.89	5,436	10,041
Exercisable as at July 31, 2021	88,328	\$ 3.52	–	–
Outstanding as at October 31, 2019	53,624	\$ 2.63	–	–
Granted	163,343	2.39	–	–
Outstanding as at July 31, 2020	216,967	\$ 2.45	–	–
Exercisable as at July 31, 2020	–	\$ –	–	–

GURU ORGANIC ENERGY CORP.

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Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2021 and 2020

(Unaudited)

17. Stock-based incentive plan (continued):

During the three-month period ended July 31, 2021, stock-based compensation expense recorded in the interim condensed consolidated statements of loss and comprehensive loss for options granted amounted to \$40,873 (2020 - \$21,204), \$18,102 for RSUs (2020 - nil) and \$60,000 for DSUs (2020 - nil).

During the nine-month period ended July 31, 2021, stock-based compensation expense amounted to \$126,418 for options (2020 - \$64,519), \$36,805 for RSUs (2020 - nil); and \$180,000 for DSUs (2020 - nil).

For the nine-month period ended July 31, 2021, the weighted average share price of the Company's common share upon the exercise date of options was \$16.22 (2020 - nil).

The fair value of the options granted during the three-month and nine-month periods ended July 31, 2021 was calculated using the Black-Scholes options model with the following assumptions and results:

	Three-month periods ended July 31, 2021	Nine-month periods ended July 31, 2021
Options granted	1,741	20,297
Weighted average fair value at grant date	\$ 10.05	\$ 10.80
Weighted average grant date share price	16.70	17.97
Weighted average exercise price	16.85	18.09
Risk-free interest rate	1.204	1.275
Expected volatility	50%	50%
Expected life	10 years	10 years

The risk-free interest rate is based on the yield of a risk-free Canadian government security with a maturity equal to the expected life of the option from the date of the grant. The assumption of expected volatility is based on the average historical volatility of comparable companies for the period immediately preceding the option grant. The Company does not anticipate paying any cash dividends in the foreseeable future and, therefore, uses an expected dividend yield of zero in the option-pricing model.

The fair value of the RSUs and DSUs granted during the three-month period ended July 31, 2021 was based on the volume weighted average trading price of the Company's common shares for the five trading days preceding the grant date. At date of grant, the weighted average trading price of the Company's common shares was \$21.94 for the grants of RSUs and \$17.93 for the grant of DSUs.

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(Unaudited)

18. Financial instruments:

Financial risks:

(a) Liquidity risk:

Liquidity risk relates to the Company's ability to meet its financial obligations when they come due. The Company is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. The Company manages liquidity risk by continuously monitoring forecasted and actual cash flows and matching maturity profiles of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through borrowing facilities available through the Company's bank and other lenders. The Company's policy is to ensure adequate funding is available from operations and other sources as required.

The following are the contractual maturities of financial obligations:

As at July 31, 2021	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
Accounts payable and accrued liabilities	\$ 4,975,670	\$ 4,975,670	\$ 4,975,670	\$ –	\$ –
Lease liabilities including current portion ⁽ⁱ⁾	1,990,783	2,170,048	407,561	1,331,745	430,742

As at October 31, 2020	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
Credit facilities	\$ 13,318	\$ 13,318	\$ 13,318	\$ –	\$ –
Accounts payable and accrued liabilities	7,345,147	7,345,147	7,345,147	–	–
Lease liabilities, including current portion ⁽ⁱ⁾	183,624	196,419	88,022	103,171	5,226
Long-term debt, including current portion ⁽ⁱ⁾	275,000	287,571	164,363	123,208	–

⁽ⁱ⁾ Contractual cash flows include principal and interest.

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18. Financial instruments (continued):

Financial risks (continued):

(a) Liquidity risk (continued):

Capital management:

The Company's capital is composed of shareholders' equity. The Company's objective in managing its capital is to ensure a sufficient liquidity position to finance its operations, to maximize the preservation of capital and to deliver competitive returns on invested capital. To fund its activities, the Company has relied on private and public financing. The Company manages its excess cash to ensure that it has sufficient reserves to fund its operations and capital expenditures.

The Company is not subject to any capital requirements imposed by a regulator.

(b) Credit risk:

Credit risk is the risk that one party to a financial asset will cause a financial loss for the Company by failing to discharge an obligation. The Company's credit risk is mainly related to cash and cash equivalents and accounts receivable. Management believes the credit risk of its cash and cash equivalents is limited given that the Company deals with major North American financial institutions.

The Company provides credit to its clients in the normal course of its operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for contingent credit losses which, once they materialize, are consistent with management's forecasts. However, the Company deals with a majority of well-established banners and distributors, thus reducing its credit risk. As of the current interim condensed consolidated statement of financial position date, 38% (October 31, 2020 - 50%) of accounts receivable are concentrated with three (October 31, 2020 - three) clients who represent together 37% (October 31, 2020 - 49%) of the period's revenues. The Company does not normally require a guarantee.

The carrying amount of financial assets, net of any impairment provisions, represents the Company's maximum credit exposure.

(c) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company realizes sales and purchases in foreign currency. Consequently, some assets and liabilities are exposed to foreign exchange fluctuations. The total net monetary assets denominated in US dollars is US\$1,622,385 (October 31, 2020 - US\$1,028,824).

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18. Financial instruments (continued):

Financial risks (continued):

(d) Interest rate risk:

The Company's credit facility has a variable rate based on the bank's prime rate, US base rate or LIBOR rate plus a margin. As a result, the Company is exposed to interest rate risk due to fluctuations in the bank's prime rate during the period. At July 31, 2021, the Company had no amounts outstanding under its credit facilities.

Fair value measurement:

The Company has determined that the fair values of cash and cash equivalents, trade and other receivables, credit facilities and accounts payable and accrued liabilities approximate their respective carrying amounts at the interim condensed consolidated statements of financial position date due to the short-term maturity of those instruments.

The Company determined that the fair value of its long-term debt approximates its carrying amount as it bears interest at market interest rates for financial instruments with similar terms and risks.

The warrants were classified as Level 3 derivative liabilities that are valued using unobservable inputs to the valuation methodology which are significant to the measurement of the fair value. Level 3 financial liabilities consist of the derivative liabilities for which there is no current market for these securities such that the determination of fair value requires significant judgment or estimation. Changes in fair value measurements categorized within Level 3 of the fair value hierarchy are analyzed each period based on changes in estimates or assumptions and recorded as appropriate.

Derivative Financial Instruments:

Derivative financial instruments are utilized by the Company occasionally in the management of its foreign currency exposures, interest rate risks and share price. The Company's policy is not to utilize derivative financial instruments for trading or speculative purposes. All derivative financial instruments are recorded at their fair values.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in income immediately.

A derivative with a positive fair value is recognized as a financial asset; a derivative with a negative fair value is recognized as a financial liability.

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18. Financial instruments (continued):

Derivative Financial Instruments (continued):

PepsiCo warrants:

On June 14, 2021, the Company entered into an agreement with PepsiCo under which PepsiCo will become, effective October 4, 2021, the exclusive national Canadian distributor for the Company's plant-based energy drinks in the retail and food service channels. In connection with this agreement, the Company granted PepsiCo 1,650,000 warrants to purchase common shares, at an exercise price of \$16.69 per share. The warrants were granted in three equal tranches, with each tranche vesting upon the Company realizing specific sales volume targets in Canada, and the exercise of such warrants being conditional on a change of control announcement. The warrants expire on June 14, 2031.

None of these warrants are exercisable as of the date of issuance of the financial statements.

The Company has determined that the warrants are a derivative instrument and should be classified as a liability in accordance with IAS 32 and IFRS 9. The financial instruments are initially recorded at fair value and are then revalued at each reporting date. The initial fair value of warrants of \$236,312 issued to PepsiCo on June 14, 2021 was recorded as stock warrant obligations, having a fair value of \$0.14 per warrant. A corresponding amount was recognized as other asset at inception in accordance with IFRS 15 and will be amortized systematically against revenue over the duration of the agreement.

The fair value of the stock warrant obligations at inception was determined using a Black-Scholes pricing model (level 3) and the following assumptions, adjusted for the probability of vesting of the stock warrants, including the achievement of sale level targets and change of control announcement:

	June 14, 2021
Weighted average grant date share price	\$ 17.99
Weighted average exercise price	\$ 16.69
Risk-free interest rate	1.410%
Expected volatility	50%
Expected life	10 years

The fair value of the stock warrant obligations was revalued as at July 31, 2021 using the same pricing model, which did not result in a material variation in fair value.