

Interim Condensed Consolidated Financial Statements of

GURU ORGANIC ENERGY CORP.

Three-month and nine-month periods ended July 31, 2022 and 2021

GURU ORGANIC ENERGY CORP.

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GURU ORGANIC ENERGY CORP.

Interim Condensed Consolidated Statements of Financial Position

As at July 31, 2022 and October 31, 2021

	July 31, 2022	October 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 27,211,473	\$ 66,953,636
Short-term investments	20,800,000	–
Trade and other receivables	6,699,795	5,454,693
Income taxes receivable	155,303	357,426
Refundable investment tax credits	37,500	50,000
Inventories	9,539,409	7,338,382
Prepaid expenses	934,880	378,683
	<hr/> 65,378,360	<hr/> 80,532,820
Fixed assets	1,424,190	1,103,137
Intangible assets	21,383	27,591
Right-of-use assets	2,032,570	1,885,513
Other assets	806,277	835,829
Long-term deposit	49,250	49,250
Deferred tax assets	540,940	571,329
	<hr/> \$ 70,252,970	<hr/> \$ 85,005,469

GURU ORGANIC ENERGY CORP.

Interim Condensed Consolidated Statements of Financial Position (continued)

As at July 31, 2022 and October 31, 2021

	July 31, 2022	October 31, 2021
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 8,780,420	\$ 10,265,265
Current portion of lease liabilities	383,940	337,877
Income taxes payable	78,285	79,895
	<u>9,242,645</u>	<u>10,683,037</u>
Lease liabilities	1,706,826	1,573,391
Stock warrant obligations (note 16)	80,076	203,824
	<u>11,029,547</u>	<u>12,460,252</u>
Shareholders' equity:		
Share capital (note 8)	85,566,284	85,568,694
Contributed surplus	912,230	595,600
Deficit	(27,152,608)	(13,413,548)
Accumulated other comprehensive loss	(102,483)	(205,529)
	<u>59,223,423</u>	<u>72,545,217</u>
	<u>\$ 70,252,970</u>	<u>\$ 85,005,469</u>

See accompanying notes to interim condensed consolidated financial statements.

On behalf of the Board:

_____ Director

_____ Director

GURU ORGANIC ENERGY CORP.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

Three-month and nine-month periods ended July 31, 2022 and 2021

	<u>Three-month periods ended</u>		<u>Nine-month periods ended</u>	
	July 31, 2022	July 31, 2021	July 31, 2022	July 31, 2021
Net revenue (note 10)	\$ 7,730,012	\$ 8,048,738	\$ 22,298,566	\$ 21,724,984
Cost of goods sold	3,492,036	3,011,858	10,138,034	8,156,165
Gross profit	4,237,976	5,036,880	12,160,532	13,568,819
Selling, general and administration expenses (note 12)	11,045,352	7,218,884	26,318,879	17,462,892
Net financial (income) expenses (note 13)	(293,997)	(6,156)	(521,234)	96,769
Reverse acquisition of Mira X expenses	–	35,755	–	112,070
	10,751,355	7,248,483	25,797,645	17,671,731
Loss before income taxes	(6,513,379)	(2,211,603)	(13,637,113)	(4,102,912)
Income taxes (recovery):				
Current	6,405	(92,734)	6,405	(515,049)
Deferred	10,839	(92,253)	50,227	273,950
	17,244	(184,987)	56,632	(241,099)
Net loss	(6,530,623)	(2,026,616)	(13,693,745)	(3,861,813)
Other comprehensive income (loss):				
Item that may be reclassified subsequently to consolidated statements of loss:				
Foreign operations - foreign currency translation differences	5,589	33,031	103,046	(139,518)
Total comprehensive loss	\$ (6,525,034)	\$ (1,993,585)	\$ (13,590,699)	\$ (4,001,331)
Basic and diluted loss per share (note 9)	\$ (0.20)	\$ (0.07)	\$ (0.42)	\$ (0.13)

See accompanying notes to interim condensed consolidated financial statements.

GURU ORGANIC ENERGY CORP.

Interim Condensed Consolidated Statements of Changes in Equity

Nine-month periods ended July 31, 2022 and 2021

	<u>Share capital</u>			Accumulated other comprehensive loss - foreign currency translation		Total
	Number	Amount	Contributed surplus	Deficit		
Balance as of October 31, 2021	32,335,410	\$ 85,568,694	\$ 595,600	\$ (13,413,548)	\$ (205,529)	\$ 72,545,217
Net loss	–	–	–	(13,693,745)	–	(13,693,745)
Stock options exercised (note 15)	5,716	20,063	(6,182)	–	–	13,881
Stock-based compensation expense (note 15)	–	–	260,913	–	–	260,913
Incentive payments settled through issuance of stock options and RSUs (note 15)	–	–	61,899	–	–	61,899
Share buy-back (note 8)	(8,460)	(22,473)	–	(45,315)	–	(67,788)
Foreign operations foreign currency translation differences	–	–	–	–	103,046	103,046
Balance as of July 31, 2022	32,332,666	\$ 85,566,284	\$ 912,230	\$ (27,152,608)	\$ (102,483)	\$59,223,423
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 issuance	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

See accompanying notes to interim condensed consolidated financial statements.

GURU ORGANIC ENERGY CORP.

Interim Condensed Consolidated Statements of Cash Flows

Nine-month periods ended July 31, 2022 and 2021

	<u>Nine-month periods ended</u>	
	July 31, 2022	July 31, 2021
Cash provided by (used in):		
Operating:		
Net loss	\$ (13,693,745)	\$ (3,861,813)
Adjustments for:		
Depreciation and amortization (note 11)	642,513	337,442
Income tax expense (recovery)	56,632	(241,099)
Net financial (income) expenses (note 13)	(578,887)	30,152
Stock-based compensation expense (note 15)	260,913	343,223
Derecognition of right-of-use asset and lease liabilities	–	(329)
Additions to other assets	–	(316,061)
Loss on disposition of fixed assets	–	23,362
Income taxes paid	–	(3,160)
Net change in non-cash operating working capital (note 14)	(4,986,477)	(5,279,510)
	<u>(18,299,051)</u>	<u>(8,967,793)</u>
Financing:		
Share buy-back	(23,108)	–
Share issuance from public offering and private placement	–	49,561,502
Share issuance from exercise of stock options	13,881	1,782,257
Share issuance costs	–	(2,814,870)
Net change in credit facilities	–	(13,318)
Repayment of long-term debt	–	(275,000)
Interest and financing fees paid	(58,983)	(78,013)
Payment of lease obligation	(284,655)	(218,897)
	<u>(352,865)</u>	<u>47,943,661</u>
Investing:		
Short-term investments	(20,800,000)	–
Additions to fixed assets	(556,311)	(891,062)
Deposits on leases	–	(54,500)
Interest income	248,358	47,861
	<u>(21,107,953)</u>	<u>(897,701)</u>
Effect of movements in exchange rate on cash held	17,706	(16,788)
(Decrease) increase in cash and cash equivalents	(39,742,163)	38,061,379
Cash and cash equivalents, beginning of period	66,953,636	30,418,296
Cash and cash equivalents, end of period	<u>\$ 27,211,473</u>	<u>\$ 68,479,675</u>

See accompanying notes to interim condensed consolidated financial statements.

GURU ORGANIC ENERGY CORP.

Notes to Interim Condensed Consolidated Financial Statements

Three-month and nine-month periods ended July 31, 2022 and 2021

1. Reporting entity:

GURU Organic Energy Corp. (the "Company" or "GURU") was incorporated under the *Canada Business Corporations Act* and is listed on the Toronto Stock Exchange. The Company is domiciled in Montréal, Quebec, Canada, where its administrative offices are located. 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.

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 year ended October 31, 2021.

The interim condensed consolidated financial statements of the Company for the three-month and nine-month periods ended on July 31, 2022 and 2021 were authorized by the Board of Directors (the "Board") for issuance on September 13, 2022.

(a) Operating segment:

The Company determined that it operated in a single operating segment, the distribution of energy drinks.

(b) 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.

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.

GURU ORGANIC ENERGY CORP.

Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2022 and 2021

3. Functional and presentation currency and basis of measurement (continued):

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;
- 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, net 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, 2021.

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, 2021.

COVID-19 pandemic

To counter the pandemic related to COVID-19, governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak are unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on management's judgments and estimates. Management continues to monitor and evaluate the impact of COVID-19 on the Company's business. Estimates incorporate planned courses of action and information available at the reporting date. Actual results could differ from those estimates.

GURU ORGANIC ENERGY CORP.

Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2022 and 2021

6. Standards issued but not yet effective:

The IASB issued the amendments below on different standards. For the Company, the amendments are effective for the fiscal period beginning on November 1, 2023 and are to be applied retrospectively. Earlier application is permitted. However, the Company has not early-adopted these new or amended standards. The following amended standards and interpretations are not expected to have a significant impact on the Company's 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. Credit facilities:

The Company has a committed revolving operating credit facility to a maximum authorized amount of CAD 10,000,000, the maturity of which was extended for an additional year during the second quarter from March 30, 2024 to March 30, 2025. The operating credit facility can be used in the form of Canadian dollar loans bearing interest at the prime rate plus 0.50%, Canadian dollar bankers' acceptances bearing interest at 1.75%, American dollar loans bearing interest at the US base rate plus 0.50% or American dollar LIBOR loans bearing interest at the LIBOR rate plus 1.75%. As at July 31, 2022, the credit facilities were unused.

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 USD 500,000. This credit facility was unused as at July 31, 2022 (October 31, 2021 - nil).

The Company has a letter of credit for a maximum available of \$2,500,000, of which an amount of EUR 600,000 (CAD 784,320) has been used as of July 31, 2022 (October 31, 2021 - EUR 300,000 (CAD 371,520)).

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 Quebec 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, 2022.

GURU ORGANIC ENERGY CORP.

Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2022 and 2021

8. Share Capital:

	2022	2021
Issued:		
32,332,666 (2021 - 32,335,410)	\$ 85,566,584	\$ 85,568,694

As of July 20, 2022, the Company has been authorized to repurchase for cancellation up to 500,000 common shares (representing approximately 1.5% of the Company's outstanding Shares as at July 14, 2022) between July 25, 2022 and July 24, 2023. Repurchases are made in the normal course of business at market prices through the facilities of the Toronto Stock Exchange ("TSX") and/or through alternative Canadian trading systems, in compliance with the rules and policies of the TSX and applicable exemptions from Canadian securities laws.

For the period ended July 31, 2022, the Company has repurchased and cancelled 8,460 common shares at a weighted average price of approximately \$8.00 per share, for a total cash consideration of \$67,788, for which an amount of \$44,680 remain unpaid as at July 31, 2022. The excess of the total consideration over the carrying amount of the shares, amounting to \$45,315, was recorded in deficit for the nine-month period ended July 31, 2022.

9. Loss per share:

	<u>Three-month periods ended</u>		<u>Nine-month periods ended</u>	
	July 31, 2022	July 31, 2021	July 31, 2022	July 31, 2021
Net loss	\$ (6,530,623)	\$ (2,026,616)	\$ (13,693,745)	\$ (3,861,813)
Basic weighted average number of common shares	32,339,984	30,077,280	32,339,314	29,444,238
Basic loss per share, also being diluted loss per share	\$ (0.20)	\$ (0.07)	\$ (0.42)	\$ (0.13)

For the three-month and nine-month periods ended July 31, 2022 and 2021, the diluted earnings per share calculation did not take into consideration the potential dilutive effect of the stock options, RSUs and DSUs (note 14) as they are anti-dilutive.

GURU ORGANIC ENERGY CORP.

Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2022 and 2021

10. Net revenue and assets by geography:

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

	<u>Three-month periods ended</u>		<u>Nine-month periods ended</u>	
	July 31, 2022	July 31, 2021	July 31, 2022	July 31, 2021
Revenue:				
Canada	\$ 6,727,361	\$ 6,990,511	\$ 17,939,665	\$ 18,433,625
United States	1,002,651	1,058,227	4,358,901	3,291,359
	<u>\$ 7,730,012</u>	<u>\$ 8,048,738</u>	<u>\$ 22,298,566</u>	<u>\$ 21,724,984</u>

	As at July 31, 2022	As at October 31, 2021
Non-current assets other than deferred tax assets:		
Canada	\$ 4,069,333	\$ 3,232,431
United States	264,337	267,619
	<u>\$ 4,333,670</u>	<u>\$ 3,500,050</u>

11. Additional information on interim condensed consolidated statement of loss and comprehensive loss:

	<u>Three-month periods ended</u>		<u>Nine-month periods ended</u>	
	July 31, 2022	July 31, 2021	July 31, 2022	July 31, 2021
Employee total compensation expense	\$ 2,172,946	\$ 1,763,586	\$ 6,361,912	\$ 5,071,566
Depreciation and amortization	233,136	147,834	642,513	337,442
National Canadian distribution agreement set-up costs	–	113,190	–	147,338

GURU ORGANIC ENERGY CORP.

Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2022 and 2021

12. Selling, general and administration expenses:

	<u>Three-month periods ended</u>		<u>Nine-month periods ended</u>	
	July 31, 2022	July 31, 2021	July 31, 2022	July 31, 2021
Selling and marketing	\$ 8,548,764	\$ 4,861,047	\$ 18,172,468	\$ 10,560,397
General and administration expenses	2,496,588	2,357,837	8,146,411	6,902,498
	\$ 11,045,352	\$ 7,218,884	\$ 26,318,879	\$ 17,462,892

13. Net financial (income) expenses:

	<u>Three-month periods ended</u>		<u>Nine-month periods ended</u>	
	July 31, 2022	July 31, 2021	July 31, 2022	July 31, 2021
Interest on long-term debt	\$ —	\$ —	\$ —	\$ 4,219
Interest on line of credit	—	—	—	923
Interest on lease liabilities	18,372	16,940	51,588	46,782
Bank and financing fees, net	14,922	(5,356)	65,049	75,727
Foreign exchange loss (gain)	13,260	(7,611)	(13,390)	16,979
Interest income	(279,562)	(10,129)	(500,733)	(47,861)
Net change in fair value of stock warrant obligations	(60,989)	—	(123,748)	—
	\$ (293,997)	\$ (6,156)	\$ (521,234)	\$ 96,769

14. Additional cash flow information:

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

	<u>Nine-month periods ended</u>	
	July 31, 2022	July 31, 2021
Trade and other receivables	\$ (1,214,342)	\$ (1,804,232)
Income taxes receivable	202,692	(357,553)
Inventories	(2,142,618)	(1,075,402)
Prepaid expenses	(554,918)	22,858
Refundable investment tax credits	12,500	(25,097)
Accounts payable and accrued liabilities	(1,288,124)	(1,803,746)
Income taxes payable	(1,667)	(236,338)
	\$ (4,986,477)	\$ (5,279,510)

GURU ORGANIC ENERGY CORP.

Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2022 and 2021

15. Stock-based incentive plan:

The Company may grant its key employees, directors and consultants stock options to purchase common shares, 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, 2022, 232,898 stock options (October 31, 2021 - 221,798), 8,121 RSUs (October 31, 2021 - 5,436), and 30,955 DSUs (October 31, 2021 - 13,772) were available for issuance. Changes in the number of outstanding options, RSUs and DSUs related to the Plan were as follows:

		<u>Options</u>		<u>RSU</u>	<u>DSU</u>
	Number		Weighted average exercise price	Number	Number
Outstanding as at October 31, 2021	221,798	\$	3.99	5,436	13,772
Granted	22,395		12.15	2,712	17,183
Exercised	(5,716)		2.39	-	-
Forfeited	(5,579)		2.39	(27)	-
Outstanding as at July 31, 2022	232,898	\$	4.85	8,121	30,955
Exercisable as at July 31, 2022	165,294	\$	4.80	2,627	-
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	-	-

GURU ORGANIC ENERGY CORP.

Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2022 and 2021

15. Stock-based incentive plan (continued):

During the three-month period ended July 31, 2022, stock-based compensation expense recorded in the interim condensed consolidated statements of loss and comprehensive loss amounted to \$20,293 (2021 - \$40,873) for options granted, \$384 for RSUs (2021 - \$18,102); and \$60,008 for DSUs (2021 - \$60,000).

During the nine-month period ended July 31, 2022, stock-based compensation expense amounted to \$80,345 (2021 - \$85,946), \$542 for RSUs (2021 - \$18,302); and \$180,026 for DSUs (2021 - \$120,000). In addition, during the nine-month period ended July 31, 2022, the Company issued 3,653 stock options and 2,473 RSUs in order to settle incentives due to employees in the amount of \$61,899. As a result, an amount of \$61,899 was transferred from accounts payable and accrued liabilities to contributed surplus in connection with this transaction.

The fair value of the options granted during the three-month and nine-month periods ended July 31, 2022 was calculated using the Black-Scholes option model with the following assumptions and results:

	Three-month periods ended July 31, 2022	Nine-month periods ended July 31, 2022
Options granted	3,479	22,395
Weighted average fair value at grant date	\$ 5.03	\$ 7.46
Weighted average share price	7.86	11.94
Weighted average exercise price	8.03	12.15
Risk-free interest rate	2.63%	2.03%
Expected dividend yield	—	—
Expected volatility	50%	50%
Expected life	10 years	10 years

	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	1.20%	1.28%
Expected dividend yield	—	—
Expected volatility	50%	50%
Expected life	10 years	10 years

GURU ORGANIC ENERGY CORP.

Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2022 and 2021

16. Financial instruments:

Financial risks:

(a) Liquidity risk:

Liquidity risk refers 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 holds cash equivalents bearing interest at 2.25% and 2.90%, and fixed-rate short-term investments bearing interest at 2.40% with major North American financial institutions.

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, 2022	Carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Trade and other payables	\$ 8,780,420	\$ 8,780,420	\$ 8,780,420	\$ –	\$ –
Lease liabilities, including current portion ⁽ⁱ⁾	2,090,766	2,243,534	474,207	1,626,049	143,278

As at October 31, 2021	Carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Trade and other payables	\$10,265,265	\$ 10,265,265	\$ 10,265,265	\$ –	\$ –
Lease liabilities, including current portion ⁽ⁱ⁾	1,911,268	2,172,579	395,822	1,423,503	353,254

⁽ⁱ⁾ Contractual cash flows include principal and interest.

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.

GURU ORGANIC ENERGY CORP.

Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2022 and 2021

16. Financial instruments (continued):

Financial risks (continued):

(a) Liquidity risk (continued):

Capital management (continued)

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 refers to 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, short-term investments, and accounts receivable. Management believes the credit risk of its cash and cash equivalents and short-term investments are 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 balance sheet date, 93% (October 31, 2021 - 80%) of accounts receivable are concentrated with two (October 31, 2021 - two) clients who represent together 78% and 77% of the three-month and nine-month periods' net revenue, respectively (12-month period ending October 31, 2021 - 19%). 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 refers to 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. At period-end, the Company's exposure to net monetary assets denominated in foreign currencies was not significant to the Company's financial position.

(d) Interest rate risk:

The Company's credit facility and long-term debt have a variable rate based on the bank's prime rate plus a margin. At period-end, the facility was unused.

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Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2022 and 2021

16. Financial instruments (continued):

Fair value measurement

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

For the three-month and nine-month periods ended April 30, 2022, no financial instruments recorded at fair value were transferred between Levels 1, 2 and 3.

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.

PepsiCo warrants

On June 14, 2021, the Company entered into an agreement with PepsiCo under which PepsiCo became, 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 these financial statements.

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Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2022 and 2021

16. Financial instruments (continued):

Fair value measurement (continued):

The fair value of the stock warrant obligations was revalued as at July 31, 2022 using the same pricing model, and the variation in fair value of \$60,989 and \$123,748 were reflected in net financial (income) expense in the consolidated statements of loss and comprehensive loss for the three-month and nine-month periods ended July 31, 2022, respectively. The stock warrant obligation as of July 31, 2022 amounted to \$80,076 (October 31, 2021 - \$203,824). The following assumptions were used:

	July 31, 2022	October 31, 2021
Weighted average share price	\$ 8.03	\$ 16.00
Exercise price	16.69	16.69
Risk-free interest rate	2.63%	1.69%
Expected volatility	50%	50%
Expected life	9 years	10 years

The estimated fair value was adjusted for the probability of a change in control announcement, which was assumed to be nominal by management at the reporting date.