

Consolidated Financial Statements of

GURU ORGANIC ENERGY CORP.

Years ended October 31, 2023 and 2022

GURU ORGANIC ENERGY CORP.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of GURU Organic Energy Corp.

Opinion

We have audited the consolidated financial statements of GURU Organic Energy Corp. (the "Entity"), which comprise:

- the consolidated statements of financial position as at October 31, 2023 and October 31, 2022
- the consolidated statements of loss and comprehensive loss for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at October 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended October 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Assessment of accuracy of net revenues

We draw attention to Note 4(i) and Note 16 to the financial statements.

The Entity's net revenue balance is \$29,288,320. The Entity's net revenue comes from the sale of goods and is measured at the fair value of consideration received, net of refunds, discounts, rebates and other fees paid to customers. Revenue is recognized at a point in time when the Entity transfers control of a product to a customer, which is when a customer takes possession of the goods. The Entity's estimates of provisions for sale allowances, such as discounts, rebates, returns and other fees paid to customers, are based on the historical claims as supplemented by management's judgment.

Why the matter is a key audit matter

We identified the accuracy of net revenues as a key audit matter given the magnitude of net revenue. In addition, the determination of the provisions for sale allowances represented an area of higher assessed risk of material misstatement. As a result, significant auditor judgment and effort was needed to perform and evaluate the results of our audit procedures.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

- We assessed the adequacy of the Entity's revenue recognition accounting policies, including the recognition and measurement of deductions, by reading and analyzing a selection of customer contracts, including the nature and terms of the refunds, discounts, rebates, and other fees paid to customers.
- We confirmed a portion of the amount of net revenues for the year with the Entity's customer.
- For a sample of revenue transactions, we inspected source documents and cash receipts.

We evaluated the appropriateness of the provision for sale allowances assumptions by:

- Comparing the Entity's prior year's provision for allowance to the actual refunds, discounts and rebates costs incurred to assess the Entity's ability to accurately budget these costs.
- Comparing the estimated provision rate by product to actual historical refunds, discounts and rebates, taking into account changes in terms and conditions affecting the provision rate to assess the adjustments or lack of adjustments made by the Entity in determining the provision rate by product.



Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not, and will not, express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.



Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor's report is Alain Bessette.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Montréal, Canada

January 24, 2024

GURU ORGANIC ENERGY CORP.

Consolidated Statements of Financial Position

October 31, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,825,817	\$ 25,491,029
Short-term investments (note 23)	18,000,000	20,800,000
Trade and other receivables (note 6)	4,394,099	4,995,156
Income taxes receivable	6,854	5,830
Refundable investment tax credits	50,000	50,000
Inventories (note 7)	5,999,208	8,518,260
Prepaid expenses	333,540	198,795
	44,609,518	60,059,070
Deposits on fixed assets	—	679,271
Fixed assets (note 8)	1,454,658	1,329,356
Intangible assets	13,520	19,314
Right-of-use assets (note 9)	1,485,664	1,918,887
Other assets (note 10)	487,527	708,667
Long-term deposit	48,250	49,250
Deferred tax assets (note 20)	551,171	584,901
	\$ 48,650,308	\$ 65,348,716
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 12)	\$ 7,227,200	\$ 8,213,436
Current portion of lease liabilities (note 13)	399,691	407,326
Income taxes payable	—	43,723
	7,626,891	8,664,485
Lease liabilities (note 13)	1,182,914	1,579,413
Stock warrant obligations (note 23)	9,512	19,817
	8,819,317	10,263,715
Shareholders' equity:		
Share capital (note 14)	80,335,608	85,374,502
Contributed surplus	1,485,005	826,828
Deficit	(42,087,325)	(31,162,456)
Accumulated other comprehensive income	97,703	46,127
	39,830,991	55,085,001
	\$ 48,650,308	\$ 65,348,716

See accompanying notes to consolidated financial statements.

On behalf of the Board:

_____ Director

_____ Director

GURU ORGANIC ENERGY CORP.

Consolidated Statements of Loss and Comprehensive Loss

Years ended October 31, 2023 and 2022

	2023	2022
Net revenue (note 16)	\$ 29,288,320	\$ 29,080,953
Cost of goods sold	13,853,084	13,387,834
Gross profit	15,435,236	15,693,119
Selling, general and administration expenses (note 17)	29,149,295	34,115,532
Net financial income (note 19)	(1,757,954)	(877,753)
	27,391,341	33,237,779
Loss before income taxes	(11,956,105)	(17,544,660)
Income taxes (recovery) expense (note 20):		
Current	(35,879)	(20,974)
Deferred	42,087	41,291
	6,208	20,317
Net loss	(11,962,313)	(17,564,977)
Other comprehensive income:		
Item that is or may be reclassified subsequently to consolidated statements of loss:		
Foreign operations - foreign currency translation differences	51,576	251,656
Total comprehensive loss	\$ (11,910,737)	\$ (17,313,321)
Basic and diluted loss per share (note 15)	\$ (0.38)	\$ (0.54)
Weighted average number of shares	31,847,391	32,336,701

See accompanying notes to consolidated financial statements.

GURU ORGANIC ENERGY CORP.

Consolidated Statements of Changes in Equity

Years ended October 31, 2023 and 2022

	Share capital		Contributed surplus	Deficit	Accumulated other comprehensive income (loss) - foreign currency translation	Total
	Number	Amount				
Balance as of October 31, 2021	32,335,410	\$ 85,568,694	\$ 595,600	\$ (13,413,548)	\$ (205,529)	\$ 72,545,217
Net loss	–	–	–	(17,564,977)	–	(17,564,977)
Stock options exercised (note 22)	25,611	89,895	(28,052)	–	–	61,843
RSUs and DSUs vested/settled (note 22)	9,937	137,038	(137,038)	–	–	–
Stock-based compensation expense (note 22)	–	–	334,419	–	–	334,419
Incentive payments settled through issuance of stock options and RSUs (note 22)	–	–	61,899	–	–	61,899
Share buy-back (note 14)	(158,500)	(421,125)	–	(183,931)	–	(605,056)
Foreign operations - foreign currency translation differences	–	–	–	–	251,656	251,656
Balance as of October 31, 2022	32,212,458	85,374,502	826,828	(31,162,456)	46,127	55,085,001
Net loss	–	–	–	(11,962,313)	–	(11,962,313)
Stock options exercised (note 22)	1,669	5,858	(1,869)	–	–	3,989
Stock-based compensation expense (note 22)	–	–	636,762	–	–	636,762
Incentive payments settled through issuance of stock options and RSUs (note 23)	–	–	23,284	–	–	23,284
Share buy-back (note 14)	(1,896,328)	(5,044,752)	–	1,037,444	–	(4,007,308)
Foreign operations - foreign currency translation differences	–	–	–	–	51,576	51,576
Balance as of October 31, 2023	30,317,799	\$ 80,335,608	\$ 1,485,005	\$ (42,087,325)	\$ 97,703	\$ 39,830,991

See accompanying notes to consolidated financial statements.

GURU ORGANIC ENERGY CORP.

Consolidated Statements of Cash Flows

Years ended October 31, 2023 and 2022

	2023	2022
Cash provided by (used in):		
Operating:		
Net loss	\$ (11,962,313)	\$ (17,564,977)
Adjustments for:		
Depreciation and amortization	1,179,367	877,258
Income tax expense	6,208	20,317
Net financial income	(1,757,954)	(952,203)
Stock-based compensation expense	636,762	334,419
Write-off of other assets	13,364	-
Gain on disposal of fixed asset	(1,224)	-
Additions to other assets	-	(16,069)
Net change in non-cash operating working capital (note 21)	2,566,806	(1,538,268)
	(9,318,984)	(18,839,523)
Financing:		
Share buy-back	(4,017,037)	(595,327)
Share issuance from exercise of stock options	3,989	61,843
Interest and financing fees paid	(59,372)	(76,304)
Payment of lease obligations	(404,071)	(390,700)
	(4,476,491)	(1,000,488)
Investing:		
Decrease (increase) in short-term investments	2,800,000	(20,800,000)
Deposits on fixed assets	-	(679,271)
Refund of lease deposit	1,000	-
Additions to fixed assets	(77,881)	(566,330)
Interest income received	1,290,210	398,919
Gross proceeds from disposal of fixed assets	100,000	-
	4,113,329	(21,646,682)
Effect of movements in exchange rate on cash held	16,934	24,086
Cash and cash equivalents, beginning of year	25,491,029	66,953,636
Decrease in cash and cash equivalents	(9,665,212)	(41,462,607)
Cash and cash equivalents, end of year	\$ 15,825,817	\$ 25,491,029

Additional cash flow information is presented in note 21.

See accompanying notes to consolidated financial statements.

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements

Years ended October 31, 2023 and 2022

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 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.

1. Basis of accounting:

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") Accounting Standards as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on January 24, 2024.

2. Functional and presentation currency and basis of measurement:

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

The 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*.

3. Use of significant accounting judgements, estimates and assumptions:

The preparation of the Company's consolidated financial statements in accordance with IFRS requires management to make judgements, 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.

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

3. Use of significant accounting judgements, estimates and assumptions (continued):

Critical judgments and key sources of estimation uncertainty

The following are critical judgments and key sources of estimation uncertainty in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements and that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

(a) Critical judgment:

Deferred income taxes:

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The Company has determined that it is probable that certain deferred tax assets will be realized in the future (further details are given in note 20).

(b) Key sources of estimation uncertainty:

(i) Sales allowances:

Management uses judgment in estimating provisions for sale allowances such as discounts, rebates, returns and other fees paid to customers. The product revenue recognized quarter over quarter is net of these estimated allowances. Such estimates require the need to make estimates about matters that are inherently uncertain.

The Company's estimates are based on our historical claims as supplemented by management's judgment.

(ii) Other assets:

Management estimates the expected duration of the period over which the Company will generate cash flows with its customers in order to amortize other assets. The amounts and timing of recorded expenses for amortization of other assets for any period are affected by these estimated periods. The estimates are reviewed each year and are updated if expectations change as a result of changes in relationship with customers. Changes in relationship can cause modifications in the estimated period over which other assets are amortized and the related amortization expense in the future.

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

3. Use of significant accounting judgements, estimates and assumptions (continued):

(c) 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 was recognized as another 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.

Other areas involving estimation uncertainty include the determination of expected credit losses and inventory obsolescence provision, and the determination of investment tax credits.

4. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation:

The consolidated financial statements of the Company include the accounts of the Company and of its subsidiaries.

(i) Subsidiaries:

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of these returns. The Company reassesses whether it controls an entity if facts and circumstances indicate that one or more of the aforementioned points have changed.

A subsidiary is consolidated from the date the Company obtains control and continues to be consolidated until the date that such control ceases.

Subsidiary	Jurisdiction of incorporation	Ownership percentage
GURU Beverage Inc.	Canada	100%
GURU Beverage Co.	United States	100%

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

4. Significant accounting policies (continued):

(a) Basis of consolidation (continued):

(ii) Transactions eliminated on consolidation:

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency translation:

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognized in the consolidated statement of loss.

The financial statements of foreign operations that have a functional currency different from that of the Company's presentation currency are translated into Canadian dollars. Assets and liabilities are translated at the rates in effect at the end of the reporting period; revenue and expense items are translated at the average exchange rate for the period. Gains or losses arising from translation are recorded in equity under the heading Accumulated other comprehensive income (loss) - foreign currency translation.

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months at the date of acquisition. These consolidated financial assets are convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

4. Significant accounting policies (continued):

(d) Inventories:

Inventories consist of raw materials, packaging and finished goods and are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the normal course of business less the estimated costs necessary to make the sale. Included in the cost of finished goods are direct product costs, direct labor and an allocation of variable and fixed manufacturing overhead. Included in the cost of inventories are costs of purchase net of vendor allowances, plus other costs, such as transportation, duty and quality control, that are directly incurred to bring inventories to their present location and condition. Cost is determined using the average cost method based on individual products. A provision for shrinkage and obsolescence is calculated based on known damaged or expired goods.

(e) Investment tax credits:

The Company is eligible to obtain tax credits for its expenditures on eligible research and development work performed in Canada via the Scientific Research and Experimental Development ("SR&ED") Program.

The Company can claim SR&ED investment tax credits for expenditures such as wages, materials, machinery, equipment, qualifying overhead, and SR&ED contracts. The SR&ED tax credits are recorded when there is a reasonable assurance that the credits will be realized.

The SR&ED tax credits that compensate the Company for expenses incurred are recognized in the consolidated statement of loss and comprehensive loss and those that compensate for the cost of an asset are recognized against the cost of the asset and recorded in the consolidated statement of loss and comprehensive loss over the useful life of the asset.

The tax credits must be reviewed and approved by the tax authorities, and it is possible that the amounts granted will differ from the amounts recorded. Any difference between the tax credits accounted for and the tax credits granted by the tax authorities is accounted for in the year of assessment by the authorities as an adjustment of the items to which they relate.

(f) Fixed assets:

Items of fixed assets are recognized at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to acquiring and bringing the assets to a working condition for their intended use.

When parts of an item of fixed assets have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of an item of fixed assets are determined by comparing the proceeds from disposal with the carrying amount and are recognized in net income (loss).

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

4. Significant accounting policies (continued):

(f) Fixed assets (continued):

Depreciation is calculated over the cost of the asset less its residual value and is recognized in net income (loss) on a straight-line basis over the estimated useful lives of each part of an item of fixed assets or on a declining balance. Estimates for depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate.

Asset	Method	Rate/period
Furniture and equipment	Straight-line method	5 years
Leasehold improvements	Straight-line method	Shorter of useful life and term of lease
Automotive equipment	Straight-line method	5 to 7 years
In-store equipment	Straight-line method	2 to 5 years
Promotional equipment	Straight-line method	3 to 5 years
Computer hardware	Straight-line method	3 to 10 years

(g) Intangible assets:

Intangible assets are comprised of software that has finite useful lives, are measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in net income (loss) as incurred.

Amortization for intangible assets is calculated on their estimated useful lives using the declining balance method at the rate of 30%.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate.

The Company reviews the carrying amount of its non-financial assets, which include intangible assets with a finite useful life, fixed assets, other assets and right-of-use assets on each reporting date, in order to determine if specific events or changes in circumstances indicate that their carrying amounts may not be recoverable.

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

4. Significant accounting policies (continued):

(g) Intangible assets (continued):

For impairment testing purposes, assets that cannot be tested individually are aggregated into a cash generating unit ("CGU"). An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statement of loss.

(h) Stock-based compensation:

The Company has a stock-based compensation plan, which is described in note 22. The Company uses the fair value-based method of accounting for employee awards granted under the plan. The Company calculates the fair value of each stock option grant using the Black Scholes Option Pricing model at the grant date. The stock-based compensation cost of the options is recognized as stock-based compensation expense on a graded-vesting basis over the relevant vesting period of the stock options. Modifications to stock options are created as exchanges of the original award for a new award, the difference in value being recognized as an expense on a straight-line basis over the remaining vesting period of the modified stock options.

When employees exercise their stock options, the share capital is credited by the sum of the consideration paid by employees and the related portion previously credited to contributed surplus when compensation costs were charged against earnings.

(i) Revenue from contracts with customers:

Revenue from the sale of goods is measured at the fair value of consideration received, net of refunds, discounts, rebates and other fees paid to customers. The Company recognizes revenue when it transfers control of a product to a customer. Revenue is recognized at a point in time, which is when a customer takes possession of the goods, as it meets the criteria to satisfy the performance obligation. For all its contracts, the consideration is not adjusted for the effects of a financing component since the Company expects to be paid within one year. Consideration payable to a customer that is not considered a distinct good or service from the customer, such as onetime fees paid to customers for product placement or product introduction, is capitalized in other assets and amortized on the period over which the Company expects to generate cash flows in the future, which has been established to be 10 years. These amounts are subsequently recognized as a reduction of revenue.

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

4. Significant accounting policies (continued):

(j) Income taxes:

Income tax expense comprises current and deferred income taxes. It is recognized in net income (loss) except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income (loss).

(i) Current income tax:

Current income tax comprises the expected tax payable or receivable on the taxable income or loss for the years and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

(ii) Deferred income tax:

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred income tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred income tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred income tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred income tax assets and liabilities are offset only if certain criteria are met.

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

4. Significant accounting policies (continued):

(j) Income taxes (continued):

(iii) Sales tax:

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included.
- The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

(k) Financial instruments:

(i) Recognition, classification and initial measurement:

Financial assets and financial liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification and subsequent measurement:

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income ("FVOCI") or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL: (1) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and (2) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

4. Significant accounting policies (continued):

(k) Financial instruments (continued):

(ii) Classification and subsequent measurement (continued):

Amortized cost (continued)

Financial assets at amortized costs are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in net income (loss). Any gain or loss on derecognition is recognized in net income (loss).

FVOCI and FVTPL

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated at FVTPL: (1) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and (2) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI are measured at FVTPL. The Company has not designated any financial assets at fair value through profit or loss and does not have any financial assets at FVOCI.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including interest expenses, are recognized in net income (loss). Any gain or loss on derecognition is also recognized in net income (loss).

The Company has not designated any financial liabilities at fair value through profit or loss and does not have any financial liabilities at FVOCI.

(iii) Derecognition:

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

4. Significant accounting policies (continued):

(k) Financial instruments (continued):

(iii) Derecognition (continued):

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in net income (loss).

(iv) Offsetting:

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

(v) Impairment:

With respect to impairment of financial assets, IFRS 9, *Financial Instruments*, requires applying the expected credit losses model. Under the expected credit losses model, the Company must recognize expected credit losses and changes in such losses at each reporting date to reflect changes in credit risk since the initial recognition of the financial assets. The Company uses the simplified method to measure the loss allowance for trade receivables. The Company uses historical trends of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Losses are recognized in the consolidated statement of loss and other comprehensive loss and reflected in an allowance account against trade and other receivables.

(l) Share capital:

The Company's common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a reduction of equity, net of tax effects.

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

4. Significant accounting policies (continued):

(m) Fair value measurement:

In establishing the fair value, the Company uses a fair value hierarchy based on levels as defined below:

Level 1: defined as observable inputs such as quoted prices in active markets.

Level 2: defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.

Level 3: defined as inputs that are based on little or no observable market data and, therefore, requiring entities to develop their own assumptions.

(n) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as net finance expenses.

Contingent liability

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the Company, or a present obligation that arises from past events (and therefore exists), but is not recognized because it is not probable that a transfer or use of assets, provision of services or any other transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be estimated reliably.

(o) Leases:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) Right-of-use asset:

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

4. Significant accounting policies (continued):

(o) Leases (continued):

(i) Right-of-use asset (continued):

The right-of-use assets are subsequently depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method. The lease term includes consideration of an option to renew or to terminate if the Company is reasonably certain to exercise that option.

Lease terms, including options to renew for which the Company is reasonably certain to exercise, range from 1 to 7 years for facilities, automotive equipment and other equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(ii) Lease liability:

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased.

Lease payments included in the measurement of the lease liability comprise fixed payments (including in-substance fixed payments), the exercise price under a purchase option that the Company is reasonably certain to exercise, and lease payments in an optional renewal period if the Company is reasonably certain to exercise a renewal option.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising mainly if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option, or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in consolidated statement of income (loss) if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to exclude from lease liabilities low value leases as well as short-term leases, with a term of less than twelve months.

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

4. Significant accounting policies (continued):

(p) Short-term employee benefits:

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Earnings (loss) per share:

Basic earnings (loss) per share are computed by dividing net income (loss) by the weighted average number of common shares outstanding during the year. Diluted earnings per share are computed using the weighted average number of common shares outstanding during the year adjusted to include the dilutive impact of stock options restricted share units and deferred share units.

(r) Segment reporting:

The Company determined that it operated a single operating segment for the years ended October 31, 2023 and 2022.

5. Standards issued but not yet effective:

In February 2021, the IASB issued amendments to IAS 1, *Disclosure of Accounting Policies*. The amendments are intended to help entities in disclosing useful accounting policy information. The main amendments:

- Require entities to disclose their material accounting policies rather than their significant accounting policies.
- Specify that accounting policies that relate to immaterial transactions, other events or conditions are themselves immaterial, and need not to be disclosed.
- Specify that not all accounting policies that relate to material transactions, other events or conditions are material to the Company's financial statements.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company is assessing the impact of its adoption on its financial statements.

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

5. Standards issued but not yet effective (continued):

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB issued amendments to IAS 8, *Definition of Accounting Estimates*, to help entities make a distinction between accounting policies and accounting estimates. The amendments represent a new definition of accounting estimates, which specifies that they are monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also specify the relationship between accounting policies and accounting estimates by stating that an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company is assessing the impact of its adoption on its financial statements.

Amendment to IAS 12, Income Taxes

In May 2021, the IASB issued amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*. The amendments limit the scope of the initial recognition exemption so that it does not apply to transactions that give rise to offsetting and equal temporary differences. As a result, entities will have to recognize deferred tax assets and liabilities for temporary differences arising from the initial recognition of a lease and a decommissioning provision. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company is assessing the impact of its adoption on its financial statements.

6. Trade and other receivables:

	2023	2022
Trade receivables	\$ 3,622,845	\$ 3,914,030
Other receivables	544,645	753,033
Sales taxes receivable	226,609	328,093
	<u>\$ 4,394,099</u>	<u>\$ 4,995,156</u>

Information about the Company's exposure to credit and market risks, and impairment losses for trade receivables is included in note 23.

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

7. Inventories:

	2023	2022
Finished goods	\$ 4,719,772	\$ 6,914,339
Raw materials	922,180	1,087,707
Packaging	357,256	516,214
	<hr/>	<hr/>
	\$ 5,999,208	\$ 8,518,260

The amount of inventory included in cost of goods sold was \$13,693,125 for the year ended October 31, 2023 (2022 - \$12,865,714).

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

8. Fixed assets:

	Furniture and equipment	Computer hardware	Leasehold improvements	Automotive equipment	In-store equipment	Promotional equipment	Total
Cost:							
Balance as at October 31, 2021	\$ 169,634	\$ –	\$ 666,558	\$ 130,665	\$ 247,290	\$ 48,799	\$ 1,262,946
Additions	–	10,019	–	100,583	225,656	230,071	566,329
Dispositions	–	–	–	–	–	(48,799)	(48,799)
Balance as at October 31, 2022	169,634	10,019	666,558	231,248	472,946	230,071	1,780,476
Additions	–	–	–	–	679,271	77,880	757,151
Dispositions	–	–	–	(130,665)	–	–	(130,665)
Balance as at October 31, 2023	\$ 169,634	\$ 10,019	\$ 666,558	\$ 100,583	\$ 1,152,217	\$ 307,951	\$ 2,406,962
Accumulated depreciation:							
Balance as at October 31, 2021	\$ 20,923	\$ –	\$ 64,707	\$ 5,445	\$ 19,935	\$ 48,799	\$ 159,809
Depreciation	33,927	484	98,934	25,371	135,294	46,100	340,110
Dispositions	–	–	–	–	–	(48,799)	(48,799)
Balance as at October 31, 2022	54,850	484	163,641	30,816	155,229	46,100	451,120
Depreciation	33,927	1,911	98,934	76,655	232,534	89,112	533,073
Dispositions	–	–	–	(31,889)	–	–	(31,889)
Balance as at October 31, 2023	\$ 88,777	\$ 2,395	\$ 262,575	\$ 75,582	\$ 387,763	\$ 135,212	\$ 952,304
Net carrying amounts:							
Balance as at October 31, 2022	\$ 114,784	\$ 9,535	\$ 502,917	\$ 200,432	\$ 317,717	\$ 183,971	\$ 1,329,356
Balance as at October 31, 2023	80,857	7,624	403,983	25,001	764,454	172,739	1,454,658

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

9. Right-of-use assets:

	Building	Automotive equipment	Total
Balance as at October 31, 2021	\$ 1,640,867	\$ 244,646	\$ 1,885,513
Additions	347,685	114,428	462,113
Depreciation	(312,431)	(120,937)	(433,368)
Foreign exchange impact	–	4,629	4,629
Balance as at October 31, 2022	1,676,121	242,766	1,918,887
Depreciation	(327,245)	(105,880)	(433,125)
Foreign exchange impact	–	(98)	(98)
Balance as at October 31, 2023	\$ 1,348,876	\$ 136,788	\$ 1,485,664

10. Other assets:

In the course of its operations, the Company incurs costs paid to customers for which cash flows will be generated over several years. The following table presents these costs and their amortization:

Balance as at October 31, 2021	\$ 835,829
Additions	78,084
Amortization and write-off	(221,484)
Foreign exchange impact	16,238
Balance as at October 31, 2022	708,667
Amortization and write-off	(220,740)
Foreign exchange impact	(400)
Balance as at October 31, 2023	\$ 487,527

11. 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 of fiscal 2022, 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 October 31, 2023, the credit facilities were unused.

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

11. Credit facilities (continued):

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 October 31, 2023 (October 31, 2022 - 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 881,520) has been used as of October 31, 2023 (October 31, 2022 - EUR 600,000; CAD 810,120).

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 October 31, 2023.

12. Accounts payable and accrued liabilities:

	2023	2022
Accounts payable	\$ 1,283,048	\$ 1,935,323
Accrued liabilities	4,620,949	5,667,861
Accrued payroll	1,323,203	610,252
	<u>\$ 7,227,200</u>	<u>\$ 8,213,436</u>

13. Lease liabilities:

The following table presents the lease obligations of the Company:

Lease obligations as at October 31, 2021	\$ 1,911,268
Additions	462,113
Payment of lease obligations	(462,267)
Interest expense on lease obligations	68,909
Foreign exchange impact	6,716
Balance as at October 31, 2022	1,986,739
Payment of lease obligations	(463,444)
Interest expense on lease obligations	59,373
Foreign exchange impact	(63)
Lease obligations as at October 31, 2023	<u>\$ 1,582,605</u>

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

13. Lease liabilities (continued):

	2023	2022
Lease liabilities included in the statement of financial position	\$ 1,582,605	\$ 1,986,739
Current	399,691	407,326
Non-current	1,182,914	1,579,413

The following table presents the maturity of the contractual undiscounted lease obligations of the Company:

	2023	2022
Contractual undiscounted cash flows:		
Less than 1 year	\$ 444,769	\$ 466,710
Between 1 and 5 years	1,240,455	1,613,006
More than 5 years	–	47,760
Total undiscounted lease liabilities	\$ 1,685,224	\$ 2,127,476

Amounts recognized in consolidated statement of loss	2023	2022
Interest on lease liabilities	\$ 59,372	\$ 68,909
Variable lease payments not included in the measurement of lease liabilities	66,465	54,595
Expenses relating to short-term leases	1,664	59,053

14. Share capital:

	2023	2022
Issued:		
30,317,799 (2022 - 32,212,458) common shares	\$ 80,335,608	\$ 85,374,502

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

14. Share capital (continued):

As of July 20, 2022, the Company received authorization 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. This authorization was renewed for another year, from July 25, 2023 to July 24, 2024, whereby the Company has been authorized to repurchase for cancellation up to 1,593,560 common shares (representing approximately 5% of the Company's outstanding shares as at July 17, 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 year ended October 31, 2023, the Company has repurchased and cancelled 1,896,328 common shares at a weighted average price of approximately \$2.11 per share, for a total cash consideration of \$4,007,308. The excess of the total consideration over the carrying amount of the shares, amounting to \$1,037,444 was recorded in deficit for the year ended October 31, 2023.

15. Loss per share:

	2023	2022
Net loss	\$ (11,962,313)	\$ (17,564,977)
Basic weighted average number of common shares	31,847,391	32,336,701
Basic loss per share, also being diluted loss per share	\$ (0.38)	\$ (0.54)

For the years ended October 31, 2023 and 2022, the diluted loss per share calculation did not take into consideration the potential dilutive effect of the stock options, warrants, RSUs and DSUs (refer to note 22), as they are anti-dilutive.

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

16. Revenue and assets by geography:

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

Revenues	2023	2022
Canada	\$ 24,748,777	\$ 24,150,106
United States	4,539,543	4,930,847
	\$ 29,288,320	\$ 29,080,953

Non-current assets other than deferred tax assets	2023	2022
Canada	\$ 3,395,173	\$ 4,442,791
United States	94,446	261,954
	\$ 3,489,619	\$ 4,704,745

17. Selling, general and administration expenses:

	2023	2022
Selling and marketing	\$ 18,941,818	\$ 23,701,077
General and administration expenses	10,207,477	10,414,455

18. Additional information on consolidated statement of loss:

	2023	2022
Employee total compensation expense	\$ 7,960,775	\$ 7,489,790
Depreciation and amortization	1,179,367	877,258

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

19. Net financial (income) expenses:

	2023	2022
Interest on lease liabilities	\$ 59,372	\$ 68,909
Bank and financing fees	51,728	81,845
Foreign exchange loss	57,065	5,735
Interest revenue	(1,915,814)	(850,235)
Net change in fair value of stock warrant obligations	(10,305)	(184,007)
	<u>\$ (1,757,954)</u>	<u>\$ (877,753)</u>

20. Income taxes:

The reconciliation of income taxes calculated at the statutory income tax rate to the income tax expense is as follows:

	2023	2022
Loss before income taxes	\$ (11,956,105)	\$ (17,544,660)
Income taxes calculated at the statutory tax rate of 26.50% (2022 - 26.50%) ⁽ⁱ⁾	(3,168,368)	(4,649,335)
Non-deductible items and other	142,071	31,014
Change in unrecognized deductible temporary differences	3,037,587	4,638,733
Effect of foreign tax differences	(4,922)	(3,792)
Tax adjustment related to previous years	(160)	3,697
Income tax expense	<u>\$ 6,208</u>	<u>\$ 20,317</u>

(i) The Company's applicable tax rate corresponds to the combined Canadian tax rates applicable in the provinces where the Company operates.

The components of current and deferred income tax expense are as follows:

	2023	2022
Current tax expense:		
Current year	\$ (35,879)	\$ (24,671)
Change in estimates related to previous years	–	3,697
	<u>(35,879)</u>	<u>(20,974)</u>
Deferred tax expense:		
Origination and reversal of temporary differences	(2,995,340)	(4,597,442)
Tax adjustment related to previous years	(160)	–
Unrecognized deductible temporary differences	3,037,587	4,638,733
	<u>42,087</u>	<u>41,291</u>
Income tax expense	<u>\$ 6,208</u>	<u>\$ 20,317</u>

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

20. Income taxes (continued):

Recognized deferred tax assets and liabilities:

The movements in deferred income tax assets and liabilities, prior to the offsetting of balances, are shown below:

	2023				
	Opening balance	Recognized in net earnings	Recognized in other comprehensive income	Effects of fluctuations in exchange rates	Closing balance
Non-capital loss carry-forwards	\$ 710,164	\$ (157,243)	\$ —	\$ 8,206	\$ 561,127
Right-of-use assets	(499,728)	111,985	—	17	(387,726)
Fixed assets and intangible assets	(40,153)	40,153	—	—	—
Lease and other obligations	518,661	(104,682)	—	(10)	413,969
Other assets	(111,035)	33,588	—	(106)	(77,553)
Financing fees	4,160	(4,160)	—	—	—
Reserve	2,832	—	—	—	2,832
Other	—	38,272	—	250	38,522
Income tax assets	\$ 584,901	\$ (42,087)	\$ —	\$ 8,357	\$ 551,171

	2022				
	Opening balance	Recognized in net earnings	Recognized in other comprehensive income	Effects of fluctuations in exchange rates	Closing balance
Non-capital loss carry-forwards	\$ 761,391	\$ (109,833)	\$ —	\$ 58,606	\$ 710,164
Right-of-use assets	(488,194)	(10,036)	—	(1,498)	(499,728)
Fixed assets and intangible assets	(42,971)	2,818	—	—	(40,153)
Lease and other obligations	486,150	31,190	—	1,321	518,661
Other assets	(153,162)	45,956	—	(3,829)	(111,035)
Financing fees	5,546	(1,386)	—	—	4,160
Reserve	2,569	—	—	263	2,832
Income tax assets	\$ 571,329	\$ (41,291)	\$ —	\$ 54,863	\$ 584,901

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

20. Income taxes (continued):

The following table presents components of the deferred tax assets and liabilities:

	October 31, 2023		October 31, 2022	
	Assets	Liabilities	Assets	Liabilities
Non-capital carry-forwards	\$ 561,127	\$ –	\$ 710,164	\$ –
Right-of-use assets	–	387,726	–	499,728
Fixed assets and intangible assets	–	–	–	40,153
Lease liabilities	413,969	–	518,661	–
Other assets	–	77,553	–	111,035
Financing fees	–	–	4,160	–
Reserve	2,832	–	2,832	–
Other	38,522	–	–	–
	1,016,450	465,279	1,235,817	650,916
Offsetting of assets and liabilities	(465,279)	(465,279)	(650,916)	(650,916)
	\$ 551,171	\$ –	\$ 584,901	\$ –

Unused tax losses

The Company has US federal non-capital losses carried forward in the amount of \$2,366,033 (2022 - US and Canadian in the amount of \$2,628,194) for which deferred tax assets have been recognized. These losses expire between 2029 and 2039 (2022 - between 2028 and 2038).

Certain deferred tax assets have not been recognized because it is not probable, under accounting standards, that future taxable profit will be available against which the Company can use the benefits therefrom. As at October 31, 2023, the amounts and expiry dates of tax attributes and temporary differences for which no tax assets have been recognized, which are available to reduce future years' taxable income were as follows:

Tax losses carried forward:	
Between 2027 and 2039	\$ 82,257
2040	939,174
2041	8,845,886
2042	17,456,884
2043	11,854,970
Fixed assets and intangible assets, without time limitation	486,344
Financing fees	1,922,664

As at October 31, 2022 and 2023, no deferred tax liability was recognized for temporary differences arising from investments in subsidiaries because the Company controls the decisions affecting the realization of such liabilities and it is probable that the temporary differences will not reverse in the foreseeable future.

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

21. Additional cash flow information:

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

	2023	2022
Trade and other receivables	\$ 604,527	\$ 533,731
Income taxes receivable	(903)	352,240
Inventories	2,526,937	(998,406)
Prepaid expenses	(134,565)	182,716
Accounts payable and accrued liabilities	(429,190)	(1,572,313)
Income taxes payable	—	(36,236)
	<u>\$ 2,566,806</u>	<u>\$ (1,538,268)</u>

During the twelve-month period ended October 31, 2023, an amount of \$679,271 of deposits on fixed assets was reclassified in fixed assets as the Company received the assets for which the deposits were made, and an amount of \$9,729 of share buy-back was included in accounts payable in 2023.

22. Stock based incentive plan and warrants:

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.

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

22. Stock based incentive plan and warrants (continued):

Stock-based incentive plan (continued)

As at October 31, 2023, 2,354,720 stock options, RSUs and/or DSUs were available for issuance (October 31, 2022 - 2,964,733). Changes in the number of outstanding options, RSUs and DSUs related to the Plan were as follows:

	Options ⁽ⁱ⁾		RSU ⁽ⁱ⁾	DSU
	Number	Weighted average exercise price	Number	Number
Outstanding as at October 31, 2022	215,640	\$ 4.99	7,599	33,273
Granted	360,653	2.95	144,724	68,766
Exercised/settled	(1,669)	2.39		-
Forfeited	(142,096)	4.08	(9,592)	-
Outstanding as at October 31, 2023	432,528	\$ 3.51	142,731	102,039
Exercisable as at October 31, 2023	176,608	\$ 4.19	3,617	-
Outstanding as at October 31, 2021	221,798	\$ 3.99	5,436	13,772
Granted	30,208	9.91	2,712	29,175
Exercised/settled	(25,611)	2.39	(263)	(9,674)
Forfeited	(10,755)	4.33	(286)	-
Outstanding as at October 31, 2022	215,640	\$ 4.99	7,599	33,273
Exercisable as at October 31, 2022	193,574	\$ 4.16	3,150	-

⁽ⁱ⁾ During the twelve-month period ended October 31, 2023, the Company announced a new incentive arrangement for employees based on the attainment of a non-market performance condition by the Company by the end of fiscal 2024. The arrangement would be settled through the issuance of either RSUs or stock options, at the employee's choice, if and when the performance condition is attained (the "conditional equity-settled instruments"). Any instruments issued to employees will then vest in accordance with the terms of the Plan. As at October 31, 2023, no conditional equity-settled instruments are expected to be issued as it is not probable that the non-market performance condition will be achieved by the Company.

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

22. Stock based incentive plan and warrants (continued):

Stock-based incentive plan (continued)

(i) (continued)

During the twelve-month period ended October 31, 2023, the Company also entered into a new incentive arrangement for one of its executives based on the attainment of non-market performance conditions by the Company. The arrangement was to be settled through the issuance of stock options, if and when the performance conditions are attained. Instruments issued to the executive will then vest, in part, immediately, and others in accordance with the terms of the Plan. As at October 31, 2023, that incentive was terminated since the executive is no longer employed by the Company.

In addition, during the year ended October 31, 2023, the Company issued 4,361 stock options and 7,748 RSUs in order to settle incentives due to employees in the amount of \$23,284. As a result, an amount of \$23,284 was transferred from accounts payable and accrued liabilities to contributed surplus in connection with this transaction. For the year ended October 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 options outstanding as at October 31, 2023 had an exercise price in the range of \$1.97 to \$21.94 (2022 - \$2.39 to \$21.94) and a weighted-average remaining contractual life of 8 years (2022 - 8 years).

Exercise price	Number of options outstanding	Weighted average remaining life
\$1.97 - 3.50	396,757	8
\$8.03 - 13.18	14,871	8
\$16.02 - 21.94	20,900	8

During the year ended October 31, 2023, stock-based compensation expense amounted to \$331,949 for options (2022 - \$113,140), \$134,814 for RSUs (2022 - nil); and \$169,999 for DSUs (2022 - \$221,279).

For the year ended October 31, 2023, the weighted average share price of the Company's common share upon the exercise date of options was \$4.19 (2022 - \$4.99).

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

22. Stock based incentive plan and warrants (continued):

Stock-based incentive plan (continued)

The fair value of the options granted during the years ended October 31, 2023 and 2022 was calculated using the Black-Scholes option model with the following assumptions and results:

	2023	2022
Weighted average fair value of options at grant date	\$ 1.94	\$ 6.10
Weighted average share price	2.84	9.79
Weighted average exercise price	2.95	9.91
Risk-free interest rate	3.12%	2.35%
Dividend yield	—	—
Expected volatility	53%	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.

Warrants

The Company has also issued 1,650,000 warrants to PepsiCo in 2021 that are exercisable at a price of \$16.69 per share if certain events and conditions occur. These warrants expire after 10 years from their issuance date (refer to note 23).

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 5.7%, redeemable at any time, and fixed-rate short-term investments bearing interest at 6.0% with major North American financial institutions, maturing on September 11, 2024.

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

23. Financial instruments:

Financial risks

(a) Liquidity risk:

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 October 31, 2023	Carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Accounts payables and accrued liabilities	\$ 7,227,200	\$ 7,227,200	\$ 7,227,200	\$ –	\$ –
Lease liabilities, including current portion ⁽ⁱ⁾	1,582,605	1,685,224	444,769	1,240,455	–

As at October 31, 2022	Carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Accounts payables and accrued liabilities	\$ 8,213,436	\$ 8,213,436	\$ 8,213,436	\$ –	\$ –
Lease liabilities, including current portion ⁽ⁱ⁾	1,986,739	2,127,476	466,710	1,613,006	47,760

⁽ⁱ⁾ Contractual cash flows include principal and interest.

Capital management

The Company's capital is composed of shareholders' equity, credit facilities, and long-term debt. 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 financing, credit facilities and long-term debt. 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.

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

23. Financial instruments (continued):

Financial risks (continued)

(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 is limited given 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 distributors, thus reducing its credit risk. As of the current balance sheet date, 93% (2022 - 89%) of accounts receivable are concentrated with two (2022 - two) clients who represent together 74% (2022 - 66%) of the twelve-month period sales. The Company does not normally require a guarantee for trade receivables.

The maximum exposure to credit risk for trade receivables by geographic region at the reporting date was \$3,129,406 for Canada and \$493,438 for the United States (2022 - \$3,705,426 for Canada and \$208,604 for the United States).

Pursuant to their respective terms, net trade receivables are aged as follows since issuance of the invoice:

	2023	2022
0 to 30 days	\$ 3,389,940	\$ 2,011,220
30 to 60 days	72,718	1,276,827
60 to 90 days	70,506	224,906
Over 90 days	89,681	401,077
	<u>\$ 3,622,845</u>	<u>\$ 3,914,030</u>

Management assesses each of the aged invoices by customer which exceed their credit terms and apply management judgements in determining the basis and amount of provision required.

The movement in the provision for impairment of trade and other receivables during the year is not significant.

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

23. Financial instruments (continued):

Financial risks (continued)

(b) Credit risk (continued):

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. Assets and liabilities denominated in foreign currency are the following:

	2023		2022	
	USD		USD	
Cash and cash equivalents	\$	52,641	\$	4,578
Accounts payable and accrued liabilities		168,413		260,972

	2023		2022	
	EUR		EUR	
Accounts payable and accrued liabilities	€	25,991	€	15,738

During the year ended October 31, 2023, all else being equal, a hypothetical strengthening of 5% of the US dollar or euro against the Canadian dollar would not have a material impact on the Company's consolidated statement of loss and comprehensive loss for the years ended October 31, 2023 and 2022.

(d) Interest rate risk:

The Company's credit facility and cash equivalents have a variable rate based on the bank's prime 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 year.

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

23. Financial instruments (continued):

Sensitivity analysis for interest rate risk

An increase or decrease of 100 basis points in the interest rate would not have a material impact on the Company's consolidated statement of loss and comprehensive loss income for the years ended October 31, 2023 and 2022.

Fair value measurement

The Company has determined that the fair values of cash and cash equivalents, short-term investments, trade and other receivables, credit facilities 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.

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.

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.

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

23. Financial instruments (continued):

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 the financial statements.

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 was revalued as at October 31, 2023 using the same pricing model, and the variations in fair value of \$10,305 were reflected in net financial (income) expense in the consolidated statements of loss and comprehensive loss for year ended October 31, 2023 (October 31, 2022 - \$184,007). The stock warrant obligation as of October 31, 2023 amounted to \$9,512 (October 31, 2022 - \$19,817).

The following assumptions were used:

	October, 31 2023	October, 31 2022
Weighted average measurement date share price	\$ 2.24	\$ 3.62
Weighted average exercise price	\$ 16.69	\$ 16.69
Risk-free interest rate	4.07%	3.26%
Expected volatility	51%	50%
Expected weighted average term	38 years	39 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.

GURU ORGANIC ENERGY CORP.

Notes to Consolidated Financial Statements (continued)

Years ended October 31, 2023 and 2022

24. Key management personnel:

Key management personnel include the members of the Board, as well as the chief executive officer and chief financial officer.

The following table presents the compensation of the key management personnel recognized in net loss:

	2023	2022
Total compensation expense (includes directors' fees)	\$ 1,454,423	\$ 1,509,499
Stock-based compensation costs	345,643	270,719
