Interim Condensed Consolidated Financial Statements of

GURU ORGANIC ENERGY CORP.

Three-month periods ended January 31, 2022 and 2021
(Unaudited)

GURU ORGANIC ENERGY CORP.
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(Unaudited)

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Interim Condensed Consolidated Statements of Financial Position

January 31, 2022 and October 31, 2021
(Unaudited)

	January 31, 2022	October 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 61,725,671	$ 66,953,636
Trade and other receivables	3,660,886	5,454,693
Income taxes receivable	357,640	357,426
Refundable investment tax credits	62,500	50,000
Inventories	10,669,594	7,338,382
Prepaid expenses	616,073	378,683
	77,092,364	80,532,820
Fixed assets	1,034,252	1,103,137
Intangible assets	25,522	27,591
Right-of-use assets	1,793,938	1,885,513
Other assets	813,358	835,829
Long-term deposit	49,250	49,250
Deferred tax assets	565,977	571,329
	$ 81,374,661	$ 85,005,469

See accompanying notes to interim condensed consolidated financial statements.

GURU ORGANIC ENERGY CORP.

Interim Condensed Consolidated Statements of Financial Position (continued)

January 31, 2022 and October 31, 2021
(Unaudited)

	January 31, 2022	October 31, 2021
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 9,750,438	$ 10,265,265
Income taxes payable	79,938	79,895
Current portion of lease liabilities	338,603	337,877
	10,168,979	10,683,037
Lease liabilities	1,491,524	1,573,391
Stock warrant obligation (note 15)	152,160	203,824
	11,812,663	12,460,252
Shareholders' equity:		
Share capital	85,581,341	85,568,694
Contributed surplus	732,115	595,600
Deficit	(16,603,275)	(13,413,548)
Accumulated other comprehensive loss	(148,183)	(205,529)
	69,561,998	72,545,217
	$ 81,374,661	$ 85,005,469

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 periods ended January 31, 2022 and 2021
(Unaudited)

	Three-month periods ended	
	January 31, 2022	January 31, 2021
Net revenue (note 9)	$ 6,965,081	$ 6,602,505
Cost of goods sold	3,168,781	2,505,233
Gross profit	3,796,300	4,097,272
Selling, general and administration expenses (note 11)	7,079,824	4,679,829
Net financial (income) expenses (note 12)	(114,507)	28,425
Reverse acquisition of Mira X expenses	–	25,258
	6,965,317	4,733,512
Loss before income taxes	(3,169,017)	(636,240)
Income taxes:		
Current	–	(141,429)
Future	20,710	136,307
	20,710	(5,122)
Net loss	(3,189,727)	(631,118)
Other comprehensive income (loss):		
Item that is or may be reclassified subsequently to consolidated statements of income (loss):		
Foreign operations - foreign currency translation differences	57,346	(87,055)
Total comprehensive loss	$ (3,132,381)	$ (718,173)
Basic and diluted loss per share (note 8)	$ (0.10)	$ (0.02)

See accompanying notes to interim condensed consolidated financial statements.

GURU ORGANIC ENERGY CORP.

Interim Condensed Consolidated Statements of Changes in Equity

Three-month periods ended January 31, 2022 and 2021
(Unaudited)

	Share capital		Shares to be issued					
	Number	Amount	Number	Amount	Contributed surplus	Deficit	Accumulated other comprehensive loss - foreign currency translation	Total
Balance as at October 31, 2021	32,335,410	$ 85,568,694	–	$ –	$ 595,600	$ (13,413,548)	$ (205,529)	$ 72,545,217
Net loss	–		–	–	–	(3,189,727)	–	(3,189,727)
Stock options exercised	3,603	12,647	–	–	(3,868)	–	–	8,779
Stock-based compensation expense	–	–	–	–	78,484	–	–	78,484
Incentive payments settled through issuance of stock options and RSUs (note 14)	–	–	–	–	61,899	–	–	61,899
Foreign operations - foreign currency translation differences	–	–	–	–	–	–	57,346	57,346
Balance as at January 31, 2022	32,339,013	$ 85,581,341	–	$ –	$ 732,115	$ (16,603,275)	$ (148,183)	$ 69,561,998
Balance as at October 31, 2020	28,907,954	$ 36,550,646	–	$ –	$ 639,682	$ (3,569,375)	$ (52,481)	$ 33,568,472
Net loss	–	–	–	–	–	(631,118)	–	(631,118)
Stock options exercised	141,859	984,401	73,080	509,368	(326,204)	–	–	1,167,565
Stock-based compensation expense	–	–	–	–	72,127	–	–	72,127
Foreign operations - foreign currency translation differences	–	–	–	–	–	–	(87,324)	(87,324)
Balance as at January 31, 2021	29,049,813	$ 37,535,047	73,080	$ 509,368	$ 385,605	$ (4,200,493)	$ (139,805)	$ 34,089,722

See accompanying notes to interim condensed consolidated financial statements.

GURU ORGANIC ENERGY CORP.

Interim Condensed Consolidated Statements of Cash Flows

Three-month periods ended January 31, 2022 and 2021
(Unaudited)

	Three-month periods ended January 31, 2022	Three-month periods ended January 31, 2021
Cash provided by (used in):		
Operating:		
Net loss	$ (3,189,727)	$ (631,118)
Adjustments for:		
Depreciation and amortization (note 10)	191,367	79,785
Income tax expense (recovery)	20,710	(5,122)
Net financial (income) expenses (note 12)	(136,440)	4,851
Stock-based compensation expense (note 14)	78,484	72,127
Disposition of ROU asset and lease liability	–	(329)
Net change in non-cash operating working capital (note 13)	(2,194,829)	(4,039,215)
	(5,230,435)	(4,519,021)
Financing:		
Share issuance from exercise of stock options	8,779	769,279
Shares to be issued from exercise of warrants	–	398,286
Net change in credit facilities	–	(13,318)
Repayment of long-term debt	–	(65,000)
Interest and financing fees paid	(15,661)	(24,938)
Payment of lease obligation	(82,496)	(62,176)
	(89,378)	1,002,133
Investing:		
Additions to fixed assets	–	(422,716)
Interest revenue	79,483	20,086
Deposits on leases	–	(53,500)
	79,483	(456,130)
Effect of movements in exchange rate on cash held	12,365	(10,031)
Decrease in cash and cash equivalents	(5,227,965)	(3,983,049)
Cash and cash equivalents, beginning of period	66,953,636	30,418,296
Cash and cash equivalents, end of period	$ 61,725,671	$ 26,435,247

See accompanying notes to interim condensed consolidated financial statements.

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 Montreal, 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 periods ended on January 31, 2022 and 2021 were authorized by the Board of Directors ("Board") for issuance on March 14, 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.

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

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

4. Use of judgments and estimates:

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

The Company's main judgments, estimates, and assumptions are the same as those applied and described in the Company's audited consolidated financial statements for the year ended October 31, 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.

5. Significant accounting policies (continued):

COVID-19 pandemic:

To counter the global 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.

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 CA$10,000,000 maturing on March 30, 2024. The operating credit facility can be used in the form of Canadian dollar loans bearing interest at the prime rate 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 in American dollar LIBOR loans bearing interest at the LIBOR rate plus 1.75%. As at January 31, 2022, the credit facilities were not used.

The Company also has an uncommitted credit that can be used in the form of foreign exchange contracts or interest rate swaps for a maximum amount of US$500,000. This credit facility was not used as at January 31, 2022 (October 31, 2021 - nil).

7. Credit facilities (continued):

The Company has a letter of credit for a maximum available of $2,500,000 for which an amount of EUR600,000 (CA$855,600) has been used as of January 31, 2022 (October 31, 2021 - EUR300,000 (CA$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 Québec to a maximum of $25,000,000, a first-ranking security on all present and future property in all other Canadian provinces and in the United States and an unlimited corporate guarantee of its US subsidiary. These credit facilities are subject to certain financial covenants which were met as at January 31, 2022.

8. Loss per share:

	Three-month periods ended	
	January 31, 2022	January 31, 2021
Net loss	$ (3,189,727)	$ (631,118)
Basic weighted average number of common shares	32,335,724	29,049,813
Basic loss per share, also being diluted loss per share	$ (0.10)	$ (0.02)

For the periods ended January 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 as they are anti-dilutive.

9. Net revenue and assets by geography:

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

	Three-month periods ended	
Net revenue	January 31, 2022	January 31, 2021
Canada	$ 5,771,287	$ 5,486,910
United States	1,193,794	1,115,595
	$ 6,965,081	$ 6,602,505

Non-current assets other than deferred tax assets	January 31, 2022	October 31, 2021
Canada	$ 3,488,001	$ 3,663,191
United States	228,319	238,129
	$ 3,716,320	$ 3,901,320

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

	Three-month periods ended	
	January 31, 2022	January 31, 2021
Employee total compensation expense	$ 1,973,430	$ 1,506,941
Depreciation and amortization	191,367	79,785

11. Selling, general and administration expenses:

	Three-month periods ended January 31, 2022	Three-month periods ended January 31, 2021
Selling and marketing	$ 4,398,154	$ 2,380,712
General and administration expenses	2,681,670	2,299,117
	$ 7,079,824	$ 4,679,829

12. Net financial (income) expenses:

	Three-month periods ended January 31, 2022	Three-month periods ended January 31, 2021
Interest on long-term debt	$ –	$ 2,990
Interest on line of credit	–	922
Interest on lease liabilities	15,661	2,345
Bank and financing fees	21,933	34,963
Foreign exchange (gain) loss	(20,954)	7,291
Interest revenue	(79,483)	(20,086)
Net change in fair value of stock warrant obligations	(51,664)	–
	$ (114,507)	$ 28,425

13. Additional cash flow information:

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

	Three-month periods ended January 31, 2022	Three-month periods ended January 31, 2021
Trade and other receivables	$ 1,819,399	$ 10,538
Income taxes receivable	–	(141,396)
Inventories	(3,287,775)	(1,693,265)
Prepaid expenses	(236,428)	122,411
Refundable investment tax credits	(12,500)	19,003
Accounts payable and accrued liabilities	(477,525)	(2,315,969)
Income taxes payable	–	(40,537)
	$ (2,194,829)	$ (4,039,215)

14. 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 January 31, 2022, 229,320 stock options (October 31, 2021 - 221,798), 7,882 RSUs (October 31, 2021 - 5,436), and 18,325 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:

	Options		RSU	DSU
	Number	Weighted average exercise price	Number	Number
Outstanding as at October 31, 2021	221,798	$ 3.99	5,436	13,772
Granted	15,810	13.18	2,473	4,553
Exercised	(3,603)	2.39	–	–
Forfeited	(4,685)	2.39	(27)	–
Outstanding as at January 31, 2022	229,320	$ 4.68	7,882	18,325
Exercisable as at January 31, 2022	130,899	$ 3.35	1,813	–

During the three-month period ended January 31, 2022, stock-based compensation expense recorded in the interim condensed consolidated statements of loss and comprehensive loss for options granted amounted to $18,475 (2021 - $11,528), none for RSUs (2021 - 599); and $60,009 for DSUs (2021 - $60,000). In addition, 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.

14. Stock-based incentive plan (continued):

The fair value of the options granted during the three-month periods ended January 31, 2022 and 2021 was calculated using the Black-Scholes option model with the following assumptions and results:

	Three-month periods ended January 31, 2022	Three-month periods ended January 31, 2021
Weighted average fair value of options at grant date	$ 8.02	$ 12.94
Weighted average share price	13.18	21.94
Weighted average exercise price	13.18	21.94
Risk-free interest rate	1.765%	0.894%
Dividend yield	–	–
Expected volatility	50%	50%
Expected life	10 years	10 years

15. Financial instruments:

Financial risks:

(a) Liquidity risk:

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

The following are the contractual maturities of financial obligations:

As at January 31, 2022	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
Trade and other payables	$ 9,750,438	$ 9,750,438	$ 9,750,438	$ –	$ –
Lease liabilities, including current portion [i]	1,830,127	1,976,129	392,681	1,308,079	275,369

15. Financial instruments (continued):

(a) Liquidity risk (continued):

As at October 31, 2021	Carrying amount	Contractual cash flows	Less than 1 year	1-5 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, 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.

(b) Credit risk:

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

The Company provides credit to its clients in the normal course of its operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for contingent credit losses which, once they materialize, are consistent with management's forecasts. However, the Company deals with a majority of well-established banners and distributors, thus reducing its credit risk. As of the current balance sheet date, 86% (October 31, 2021 - 80%) of accounts receivable are concentrated with three (October 31, 2021 - two) clients who represent together 83% (October 31, 2021 - 19%) of the period's net revenue. The Company does not normally require a guarantee.

15. Financial instruments (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 is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company realizes sales and purchases in foreign currency. Consequently, some assets and liabilities are exposed to foreign exchange fluctuations.

(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. As a result, the Company could be exposed to interest rate risk due to fluctuations in the bank's prime rate during the year.

Fair value measurement

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

For the three-month period ended January 31, 2022, no financial instruments 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.

15. Financial instruments (continued):

Fair value measurement (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 fair value of the stock warrant obligations was revalued as at January 31, 2022 using the same pricing model, and the variation in fair value of $51,664 was reflected in net financial (income) expense in the consolidated statements of loss and comprehensive loss. The stock warrant obligation as of January 31, 2022 amounted to $152,160 (October 31, 2021 - $203,824). The following assumptions were used:

	January 31, 2022	October 31, 2021
Weighted average measurement date share price	12.90	16.00
Weighted average exercise price	16.69	16.69
Risk-free interest rate	1.776%	1.694%
Expected volatility	50%	50%
Expected life	10 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.