MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month periods ended January 31, 2023 and 2022

GOOD ENERGY

GURU

BASIS OF PRESENTATION

The following has been prepared for the purposes of providing management's discussion and analysis ("**MD&A**") of the consolidated financial position of GURU Organic Energy Corp. ("**GURU**" or the "**Company**") as at January 31, 2023, and the consolidated operating results of the Company for the period then ended.

This MD&A is dated March 15, 2023 and was prepared with information available to this date. This document should be read in conjunction with the audited annual consolidated financial statements and notes thereto for the year ended October 31, 2022, and the unaudited interim condensed consolidated financial statements and notes thereto for the three-month periods ended January 31, 2023 and 2022. Discrepancies in recalculated amounts or percentages may occur due to rounding. All amounts in this MD&A are expressed in Canadian dollars unless otherwise indicated. All financial information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and the financial information herein was derived from those statements.

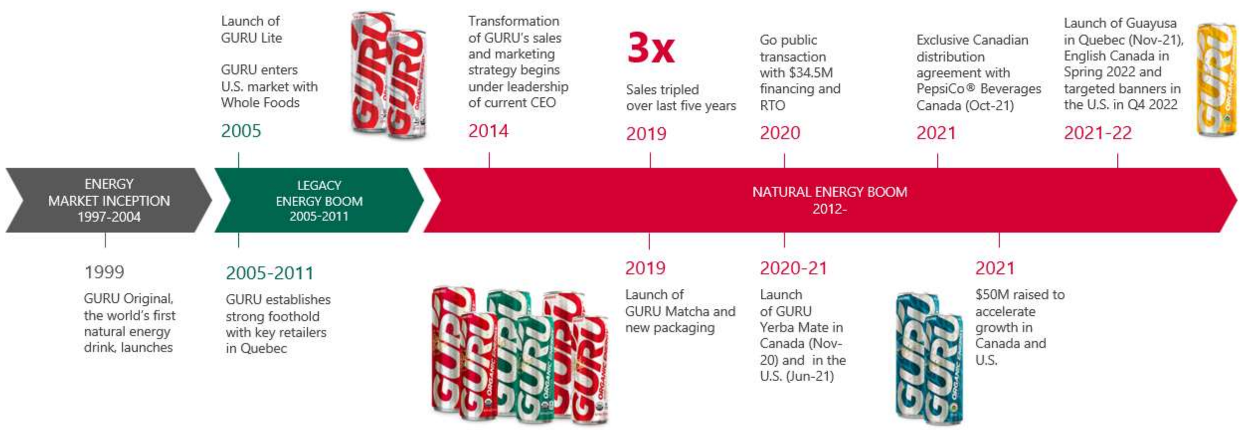
FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking statements" within the meaning of applicable Canadian securities legislation. Such forward-looking statements include, but are not limited to, information with respect to the Company's objectives and the strategies to achieve these objectives, as well as information with respect to management's beliefs, plans, expectations, anticipations, estimates and intentions. These forward-looking statements are identified by the use of terms and phrases such as "may", "would", "should", "could", "expect", "intend", "estimate", "anticipate", "plan", "believe", or "continue", the negative of these terms and similar terminology, including references to assumptions, although not all forward-looking statements contain these terms and phrases. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Company and its business, operations, prospects and risks at a point in time in the context of historical and possible future developments and therefore the reader is cautioned that such statements may not be appropriate for other purposes. Forward-looking statements are based upon a number of assumptions and are subject to a number of risks and uncertainties, many of which are beyond management's control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, the following risk factors, which are discussed in greater detail under the "RISK FACTORS" section of the annual information form for the year ended October 31, 2022: management of growth; reliance on key personnel; reliance on key customers; changes in consumer preferences; significant changes in government regulation; criticism of energy drink products and/or the energy drink market; economic downturn and continued uncertainty in the financial markets and other adverse changes in general economic or political conditions, as well as the COVID-19 pandemic, the war in Ukraine and geopolitical developments, global inflationary pressure or other major macroeconomic phenomena; global or regional catastrophic events; fluctuations in foreign currency exchange rates; inflation; revenues derived entirely from energy drinks; increased competition; relationships with co-packers and distributors and/or their ability to manufacture and/or distribute GURU's products; seasonality; relationships with existing customers; changing retail landscape; increases in costs and/or shortages of raw materials and/or ingredients and/or fuel and/or costs of co-packing; failure to accurately estimate demand for its products; history of negative cash flow and no assurance of continued profitability or positive EBITDA; repurchase of common shares; intellectual property rights; maintenance of brand image or product quality; retention of the full-time services of senior management; climate change; litigation; information technology systems; fluctuation of quarterly operating results; risks associated with the PepsiCo distribution agreement; accounting treatment of the PepsiCo Warrants; and conflicts of interest, as well as those other risks factors identified in other public materials, including those filed with Canadian securities regulatory authorities from time to time and which are available on SEDAR at www.sedar.com. Additional risks and uncertainties not currently known to management or that management currently deems to be immaterial could also cause actual results to differ materially from those that are disclosed in or implied by such forward-looking statements. Although the forward-looking statements contained herein are based upon what management believes are reasonable assumptions as at the date they were made, investors are cautioned against placing undue reliance on these statements since actual results may vary from the forward-looking statements. Certain assumptions were made in preparing the forward-looking statements concerning availability of capital resources, business performance, market conditions, and customer demand. Consequently, all of the forward-

looking statements contained herein are qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments that management anticipates will be realized or, even if substantially realized, that they will have the expected consequences or effects on the business, financial condition or results of operation. Unless otherwise noted or the context otherwise indicates, the forward-looking statements contained herein are provided as of the date hereof, and management does not undertake to update or amend such forward-looking statements whether as a result of new information, future events or otherwise, except as may be required by applicable law.

BUSINESS OVERVIEW

Our Story
Initiated by the smart drink movement in Montreal, GURU's founders drew their inspiration from the trend of mixing energy-releasing plants and exotic combinations. They wanted to provide their consumers with a source of energy that was not artificial, but rather natural, plant-based organic energy. GURU, the world's first natural energy drink, was launched in 1999, and none of them have looked back since.



Our Business
GURU (TSX: GURU) is a dynamic, fast-growing beverage company based in Montréal, Québec. Its activities consist of developing, marketing, selling and distributing natural, organic, plant-based (100% Crap Free^{TM}) energy drinks under the GURU brand name. Manufacturing is outsourced to a network of established third-party co-packers. GURU does, however, provide its production partners with its recipes, flavours, ingredient blends, cans, and other raw materials for its beverages, purchased by GURU from various suppliers across the globe.

As at March 15, 2023, GURU increased its estimated points of sale to over 25,000 in Canada and the United States. Its organic plant-based energy drinks are also available online through Amazon and guruenergy.com.

Our Market[1]

It is estimated that the US energy drinks market will surpass $21 billion by 2026[1] opening new opportunities for energy drink brands. Global energy drink consumption has rapidly increased in the last 20 years. These drinks come in different varieties and are captivated by any segment of customers irrespective of age. The category is also very dynamic as it is in the top 10 from a beverage innovation perspective with 5% of beverage launches in the U.S. and 2% of launches in Canada[2].

Energy drinks remain among the fastest growing categories of non-alcoholic beverages, with a 5% value growth and 10% volume growth between 2017 and 2021[2], with growth expected to continue for the next decade through an expected CAGR in North America of 8% between 2022 and 2030[3].

The Market Opportunity

Millennials and Gen Z consumers account for 70% of consumption in the energy drink market. They love energy drinks, but they are concerned about the ingredients and the safety of consuming them. The North American market, which is currently dominated by two legacy brands that share about 75% of the market, is ready for disruption. Differentiated brands like GURU have started to grind that market share lead with plant-based products aimed at solving the industry's biggest problem: its list of ingredients.

The main differentiators for GURU's products are its clean list of organic, plant-based ingredients and its positioning as a good, natural, authentic, progressive, and adventurous brand which aims to be a source of good energy. GURU offers consumers healthy energy drinks that feel and taste like mainstream energy drinks without detriment to their health (long-lasting energy without jitters, certified organic, plant-based ingredients, no artificial sweeteners, no taurine, no synthetic caffeine yet similar caffeine content).

Our Strategy

GURU's current sales channel mix consists mainly of convenience stores and gas stations, grocery stores, pharmacies and online sales in Canada and the U.S.

On October 4, 2021, PepsiCo® Beverages Canada ("**PepsiCo®**") became the exclusive national Canadian distributor for GURU's plant-based energy drinks in the retail and food service channels.

Online sales have experienced strong growth in the past twenty-four months, accelerated by COVID-19, which impacted consumers' shopping habits, and management expects the growth to continue.

GURU's methodical sales and marketing approach aims to maximize return on investment through appropriate top-of-funnel and bottom-of-funnel spend, depending on product distribution in each geographical region. GURU has invested significant marketing efforts in building brand awareness and trial through a proven strategy that has allowed it to build a loyal following ("GURU Nation"), become the #3 brand in its primary market, Quebec, and experience significantly stronger year-over-year retail sales growth than the industry[4].

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[1] Research and Markets, October 2022
[2] Kerry 2022 Beverage Trends, Spotlight on Energy
[3] Yahoo Finance Oct 2022, The Brainy Insights
[4] Nielsen: Last 52-week period ending November 4, 2022, Convenience & Gas (C&G), Quebec vs. same period year ago.

Financial and Business Outlook

GURU's closing of its $34.5 million financing in October 2020 and private placement and bought deal financing of $49.6 million in July 2021 are paramount in achieving our mission of cleaning the energy drink industry and growing our business in Canada and the United States. Our primary Quebec market has been a success story in terms of sales and profitability, and our aim is to replicate and adapt our model across North America. We believe that GURU is poised to gain significant market share in North America as it addresses the industry's biggest issue: consumer concern about the safety of energy drink ingredients.

To achieve its growth objectives, GURU raised the funds we needed to pursue investments in sales and marketing and grow the brand over the next few years, especially with the recent PepsiCo® Canadian distribution agreement. While these investments will impact short-term profitability, they will allow GURU to improve its cost structure and achieve its long-term margin and profitability goals, which supports its commitment to create sustained long-term shareholder value.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Measurement of net revenue

Net revenue 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, specifically when a customer takes possession of the goods, as it meets the criteria to satisfy the performance obligation. The Company 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 its historical claims as supplemented by management's judgment.

NON-GAAP FINANCIAL MEASURE

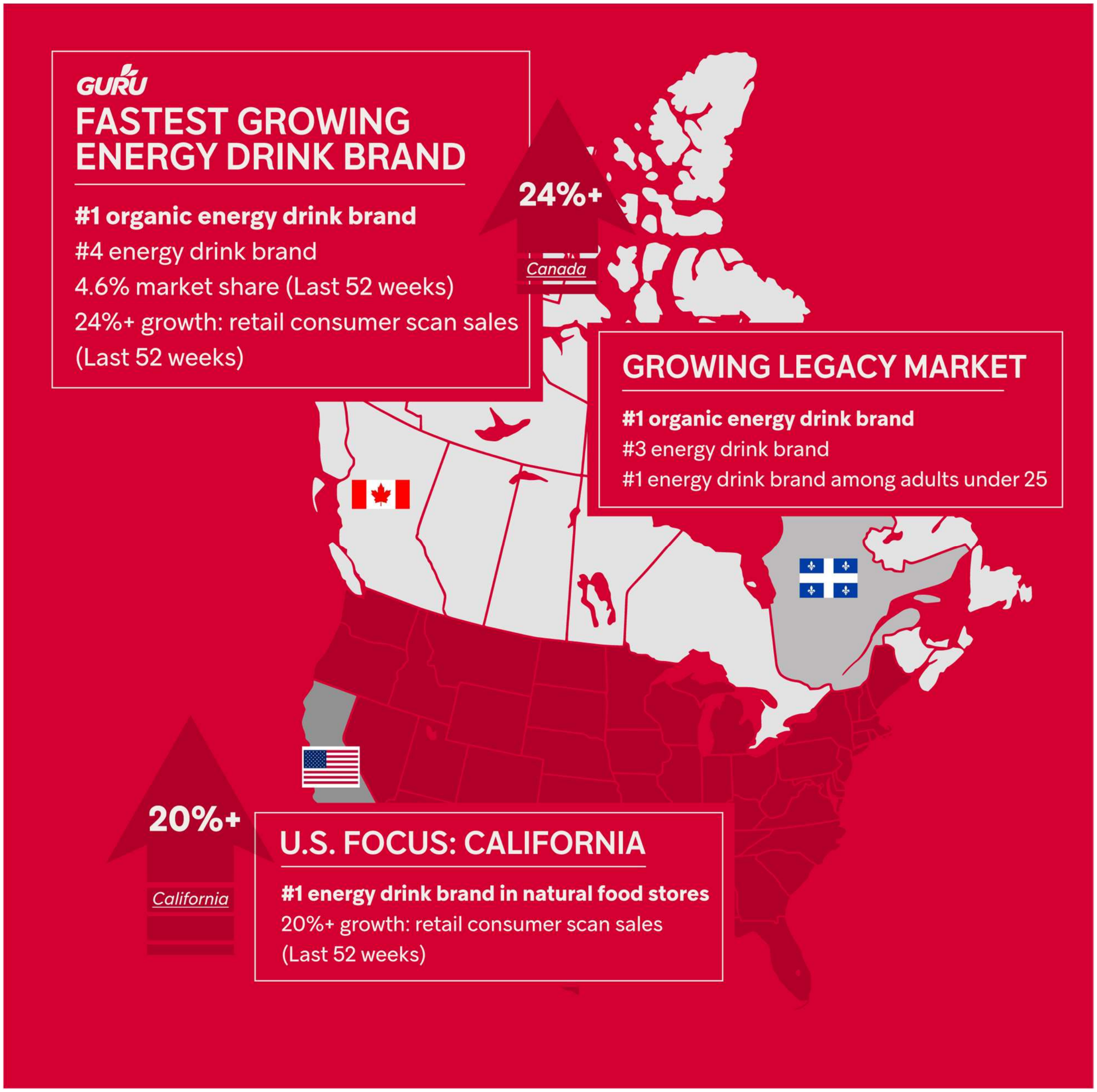
Adjusted EBITDA[5]

Adjusted EBITDA is a non-GAAP financial measure. Adjusted EBITDA is defined as net income or loss before income taxes, net financial (income) expenses, depreciation and amortization, and stock-based compensation expense. As of the beginning of fiscal 2023, we no longer exclude the reverse acquisition of Mira X expenses from the definition of adjusted EBITDA as these will no longer be incurred. The exclusion of net finance expense eliminates the impact on earnings derived from non-operational activities, and the exclusion of depreciation, amortization and share-based compensation eliminates the non-cash impact of these items. Management believes that adjusted EBITDA is a useful measure of financial performance without the variation caused by the impacts of the items described above because it provides an indication of the Company's ability to seize growth opportunities in a cost-effective manner and finance its ongoing operations. Excluding these items does not imply that they are necessarily non-recurring. Management believes this non-GAAP financial measure, in addition to conventional measures prepared in accordance with IFRS, enable investors to evaluate the Company's operating results, underlying performance and future prospects in a manner similar to management. Although Adjusted EBITDA is frequently used by securities analysts, lenders and others in their evaluation of companies, it has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of the Company's results as reported under IFRS.

This non-GAAP financial measure is not an earning or cash flow measure, or a measure of financial condition, recognized by International Financial Reporting Standards (IFRS) and it does not have a standardized meaning prescribed by IFRS. Management's method of calculating this financial measure may differ from the methods used by other issuers and, accordingly, its definition of this non-GAAP financial measure may not be comparable to similar measures presented by other issuers. Investors are cautioned that non-GAAP financial measures should not be construed as an alternative to net income determined in accordance with IFRS as indicators of the Company's performance or financial condition, or to cash flows from operating activities as measures of liquidity and cash flows.

[5] Refer to reconciliation of net (loss) income to adjusted EBITDA section of the MD&A.

LATEST MARKET STATISTICS[6,7,8,9]



[6] Nielsen: Last 52-week period ending January 28, 2023, Grocery Drug Mass (GDM) + Convenience & Gas (C&G), Canada vs. same period year ago.
[7] Nielsen: Last 22 months, period ending December 24, 2022 - All Channels, Canada.
[8] Market research conducted by element54 and Patterson Langlois for GURU in June 2021 with 1,500 participants in the province of Quebec.
[9] SPINS IRI data, Last 52-week period ending January 29, 2023, Total Natural channel, California, vs. same period year ago.

Q1 2023 FINANCIAL HIGHLIGHTS

- Net revenue decreased to $5.0 million, compared to $7.0 million in Q1 2022, mainly due to the remaining balance of an initial pipeline fill in Q1 2022 related to the Canadian distribution agreement with PepsiCo®and a reduction in inventory on hand by PepsiCo® in Q1 2023.
- Overall shipment volume contracted by 26% compared to the same period last year, mainly due to the initial pipeline fill related to the Canadian distribution agreement with PepsiCo® and the inventory on hand reduction by PepsiCo®. Excluding these items, shipments would have decreased by 2% in Q1 2023 versus Q1 2022.
- Continued consumer purchases (scanned retail sales) growth of 24% for the 52 weeks ended January 28, 2023[10].
- Sustained strong margins, as gross profit totalled $2.7 million, compared to $3.8 million in Q1 2022. Gross margin[11] was 53.7% of net revenue, compared to 54.5% in Q1 2022.
- Net loss of $2.6 million in Q1 2023, compared to a net loss of $3.2 million in Q1 2022, mainly due to lower investments in sales and marketing.
- Adjusted EBITDA[12] loss of $2.6 million in Q1 2023, compared to a loss of $3.0 million in Q1 2022.

SELECTED FINANCIAL INFORMATION

The selected financial information below was derived from the Company's financial statements, prepared in accordance with IFRS, for the three-month periods ended January 31, 2023, and 2022.

	Three-month periods ended			
	January 31, 2023		January 31, 2022	
(In thousands of Canadian dollars, except per share data)	$	% of revenue	$	% of revenue
Net revenue	**5,011**	**100%**	**6,965**	**100%**
Cost of goods sold	2,322	46.3%	3,169	45.5%
Gross profit	**2,689**	**53.7%**	**3,796**	**54.5%**
Selling, general and administrative expenses	5,666	113.1%	7,080	101.7%
Net financial income	(374)	-7.5%	(115)	-1.7%
Loss before income taxes	**(2,603)**	**-51.9%**	**(3,169)**	**-45.5%**
Income taxes	10	0.2%	21	0.3%
Net loss	**(2,613)**	**-52.1%**	**(3,190)**	**-45.8%**
Basic and diluted loss per share	$ (0.08)		$ (0.10)	
Adjusted EBITDA[12]	**(2,575)**	**-51.4%**	**(3,015)**	**-43.3%**
Net revenue by geography				
Canada	4,246	85%	5,771	83%
United States	765	15%	1,194	17%

[10] Nielsen: Last 52-week period ending January 28, 2023, All Channels, Canada vs. same period year ago.
[11] Gross margin, a supplementary financial measure, is the result of gross profit divided by net revenue
[12] Refer to reconciliation of net loss to adjusted EBITDA section of the MD&A.

RECONCILIATION OF NET LOSS TO ADJUSTED EBITDA

	Three-month periods ended	
	January 31, 2023	January 31, 2022
(In thousands of Canadian dollars)	$	$
Net loss	(2,613)	(3,190)
Net financial income	(374)	(115)
Depreciation and amortization	248	191
Income taxes	10	21
Stock-based compensation expense	154	78
Adjusted EBITDA	**(2,575)**	**(3,015)**

RESULTS OF OPERATIONS

Net Revenue

Net revenue in the first quarter stood at $5.0 million, compared to $7.0 million for the three-month period ended January 31, 2022. The decrease was mainly due to the remaining balance of an initial pipeline fill in Q1 2022 related to the Canadian distribution agreement with PepsiCo® and a reduction in inventory on hand by PepsiCo® in Q1 2023, which had a total impact of over $1.5 million on net revenue. U.S. sales during the quarter decreased to $0.8 million from $1.2 million in Q1 2022, mainly due to the delisting in less profitable banners and the timing of orders. According to SPINS[13], which measures U.S. consumer scan data of GURU energy drinks, GURU experienced 20% growth in natural food stores in California in the last 52 weeks versus the previous year, showing continued strength in GURU's current target market in the U.S. Online sales continued to show strong topline performance in the first quarter and improved profitability driven by optimized investments.

Gross Profit and Margin

Gross profit totalled $2.7 million, compared to $3.8 million for the three-month period ended January 31, 2022. Gross margin, which comprises distribution, selling and merchandising fees, amounted to 53.7% in Q1 2023, compared to 54.5% for the same period a year ago. Gross margin remained relatively stable year over year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A") include operational, sales, marketing, and administration costs. These expenses amounted to $5.7 million for the three-month period ended January 31, 2023, compared to SG&A of $7.1 million for the same period a year ago. Selling and marketing expenses accounted for $2.9 million of the $5.7 million in SG&A in Q1 2023, as the Company continued investing in sales and marketing campaigns during the quarter, with a more targeted approach, reflecting the $1.4 million decrease in total SG&A.

Adjusted EBITDA[14]

Adjusted EBITDA was a loss of $2.6 million for the three-month period ended January 31, 2023, compared to a loss of $3.0 million last year. The improvement in adjusted EBITDA loss for the quarter was mainly due to lower selling and marketing expenses during the period.

[13] SPINS IRI data, Last 52-week period ending January 29, 2023, Total Natural channel, California, vs. same period year ago.
[14] Refer to reconciliation of net loss to adjusted EBITDA section of the MD&A.

Net Financial Income
The Company generated net financial income of $374,027 in Q1 2023, compared to $114,507 for the same period a year ago, mainly due to stronger return on the cash equivalent balances and short-term investment on hand in Q1 2023.

Income Taxes
The Company had an income tax expense for the three-month period ended January 31, 2023 of $9,583 compared to an expense of $20,710 for the same period in 2022. The tax expense for the first three months of 2023 relates to taxable income realized in the U.S. entity.

Net Loss
Net loss for the first quarter totalled $2.6 million or $(0.08) per share (basic and diluted), compared to a net loss of $3.0 million or $(0.10) per share (basic and diluted) for the same period a year ago. The decrease in net loss reflects the decrease in costs associated with brand, field and trade marketing activities as explained above.

LIQUIDITY AND CAPITAL RESOURCES

Capital Management
The Company's objective in managing its capital is to ensure sufficient liquidity to finance its operations, maximize the preservation of capital and deliver competitive returns on invested capital. To fund its activities, the Company has relied on the private placement financing completed on October 29, 2020, in connection with the reverse acquisition of Mira X and on the private placement and bought deal financing completed on July 6, 2021. The Company manages its excess cash to ensure that it has sufficient reserves to fund its operations and capital expenditures.

Cash Flows

	Three-month periods ended	
	January 31, 2023	January 31, 2022
(In thousands of Canadian dollars)	$	$
Cash flow used in operating activities	(3,662)	(5,230)
Cash flow used in financing activities	(183)	(89)
Cash flow from investing activities	54	79
Effects of movements in exchange rate on cash held	(3)	12
Decrease in cash and cash equivalents	(3,794)	(5,228)
Cash and cash equivalents, beginning of period	25,491	66,954
Cash and cash equivalents, end of period	21,697	61,726
Cash, cash equivalents, and short-term investments, end of period	42,497	61,726

Cash flow used in operating activities
For the three-month period ended January 31, 2023, operating activities used cash of $3.7 million compared to $5.2 million for the same period last year. The decrease was due to a lower net loss, and a lower change in working capital investments during the current quarter compared to the same period last year.

Cash flow used in financing activities
Financing activities used cash flow of $0.2 million in the three-month period ended January 31, 2023, compared to cash flow of $0.1 million for the same period last year.

Cash flow from investing activities
Investing activities generated cash flow of $54,069 in the three-month period ended January 31, 2023, compared to $79,483 for the same period last year.

Credit Facilities
On March 31, 2021, the Company signed a new committed revolving operating credit facility of a maximum authorized amount of $10 million, which maturity was extended for an additional year during the second quarter from March 30, 2024 to March 30, 2025. As at January 31, 2023, the credit facility was not used (October 31, 2022 – nil).

The Company also has an uncommitted credit facility that can be used in the form of foreign exchange contracts or interest rate swaps for a maximum amount of US$500,000 (October 31, 2022 – US$500,000). This credit facility was not used as at January 31, 2023 (October 31, 2022 – nil).

The Company has a letter of credit for a maximum available of $2.5 million for which an amount of EUR600,000 (CA$869,820) was used as of January 31, 2023 (October 31, 2022 – EUR600,000 (CA$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 million, 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 U.S. subsidiary. These credit facilities are subject to certain financial covenants, which were met as at January 31, 2023.

FINANCIAL POSITION

The following table shows the main variances that have occurred in the Company's financial position as at January 31, 2023:

	January 31, 2023	October 31, 2022	Variance	Significant contributions
(In thousands of Canadian dollars)	$	$	$	
Cash and cash equivalents	21,697	25,491	(3,794)	Investments in working capital, market development and marketing plans
Inventories	7,652	8,518	(866)	Decrease in line with inventory strategy
Accounts payable and accrued liabilities	5,950	8,213	(2,263)	Normal course of business - production and timing of accrual payments

Note that the Company has over $52.5 million in cash and cash equivalents, short-term investments and unused credit facilities broken down as follows: cash and cash equivalents of $21.7 million, short-term investments of $20.8 million, and a committed revolving operating credit facility of a maximum authorized amount of $10 million as at January 31, 2023.

DIVIDEND POLICY

The Company has not paid dividends on its common shares since incorporation. The Company's current policy is to retain future earnings to finance its growth. Any future determination to pay dividends will be made at the discretion of the Company's Board of Directors and will depend on the Company's financial condition, results of operations, capital requirements and other such factors as the Board of Directors may deem relevant.

SELECTED QUARTERLY INFORMATION

The table below presents selected quarterly financial information for the last eight fiscal quarters:

(In thousands of Canadian dollars, except per share data)

	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Net revenue	5,011	6,783	7,730	7,603	6,965	8,466	8,049	7,074
Gross profit	2,689	3,533	4,238	4,126	3,796	4,314	5,037	4,435
Net loss	(2,613)	(3,871)	(6,530)	(3,974)	(3,190)	(5,982)	(2,027)	(1,204)
Basic and diluted loss per share	$ (0.08)	$ (0.12)	$ (0.20)	$ (0.12)	$ (0.10)	$ (0.18)	$ (0.08)	$ (0.04)

Factors Affecting the Variability of Quarterly Results

There are quarter-over-quarter variations in net revenue that are caused by seasonality as well as sales and marketing campaigns. Exceptionally, net revenue was significantly lower in Q4 2022 than in Q4 2021, and in Q1 2023 compared to Q1 2022, due to a large order from the Company's exclusive Canadian distributor to build up its inventory in Q4 2021 and Q1 2022.

TRENDS AND SEASONALITY

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 first quarter, and somewhat lower in winter, from the start of the first quarter through the middle of the second quarter. These trends can also vary due to the success of GURU's marketing campaigns and product launch initiatives. In contrast, the U.S. market, with its overall warmer climate, generally does not exhibit the same level of seasonal sales trends as Canada.

FINANCIAL INSTRUMENTS

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. It manages liquidity risk by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities, with the objective of maintaining a balance between continuity of funding and flexibility through borrowing facilities available through its bank and other lenders.

The Company holds cash equivalents bearing interest at 5.35% and fixed-rate short-term investments bearing interest at 2.40% with major North American financial institutions.

The Company's policy is to ensure that it has adequate funding available from operations and other sources as required. The following are the contractual maturities of the Company's financial obligations, including principal and interest, as at January 31, 2023:

(In thousands of Canadian dollars)	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**1-5 years**	**More than 5 years**
Accounts payable and accrued liabilities	5,950	5,950	5,950	-	-
Lease liabilities, including current portion	1,883	2,007	459	1,548	-

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, short-term investments and accounts receivable. The credit risk of cash and cash equivalents and short-term investments are 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 credit checks on its clients on a continuing basis and maintains provisions for contingent credit losses that, once they materialize, are consistent with management's forecasts. The Company deals with well-established banners and distributors, thus reducing its credit risk. As of the current balance sheet date, 82% (October 31, 2022 – 89%) of accounts receivable are concentrated with two (2022 – two) clients which represent together 69% (October 31, 2022 – 83%) of first quarter sales. The Company does not normally require a guarantee for its trade receivables.

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. At period end, the Company's exposure to net monetary assets denominated in foreign currencies was not significant to the Company's financial position.

Interest Rate Risk

The Company's credit facility and cash equivalents bear interest at a variable rate based on the bank's prime rate plus a margin. At period-end, the facility was unused.

Derivative Financial Instrument Risk

The Company uses share price instruments occasionally. 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. Refer to note 24 of the Consolidated Financial Statements for the years ended October 31, 2022 and 2021 for further information.

UNRECOGNIZED DEFERRED TAX ASSETS

The Company has unused non-capital losses in the amount of $30.5 million (2022 - $30.5 million), of which $27.9 million have not been recognized. These unrecognized losses expire between 2027 and 2042 and are not recognized because it is not probable in the near term, under accounting standards, that future taxable profit will be available against which the Company can use the benefits therefrom.

The Company also has other unrecognized deductible temporary differences totalling $3.4 million.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not currently have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on its financial position, changes in net revenues or expenses, results of operations, liquidity or capital resources that are material, other than the lease. The Company's other off-balance-sheet arrangements consist only of obligations under operating leases with terms of 12 months or less or of low dollar value, which are not material.

SEGMENT REPORTING

The Company has one reportable segment, as its principal business activities are developing, marketing, selling, and distributing energy drinks.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, net revenues and expenses. Actual results may differ from these estimates. Please refer to note 4 of the Interim Condensed Financial Statements for the three-month periods ended January 31, 2023 and 2022 for further details.

STOCK-BASED COMPENSATION

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. Please refer to note 15 of the Interim Condensed Financial Statements for the three-month periods ended January 31, 2023 and 2022 for further details.

OUTSTANDING SHARE DATA

	As at March 15, 2023
Shares outstanding	32,141,929
PepsiCo warrants (exercise price of $16.69 per share)	1,650,000
Stock options (average exercise price of $4.85 per share)	242,230
Restricted Share Units (average granted price of $18.93 per share)	150,293
Deferred Share Units (average granted price of $13.57 per share)	48,671
Fully diluted shares	34,233,123

As of July 20, 2022, the Company has been authorized to repurchase for cancellation up to 500,000 common shares (representing approximately 1.5% of the Company's outstanding shares as at July 14, 2022) between July 25, 2022 and July 24, 2023. Repurchases are made in the normal course of business at market prices through the facilities of the Toronto Stock Exchange ("TSX") and/or through alternative Canadian trading systems, in compliance with the rules and policies of the TSX and applicable exemptions from Canadian securities laws. For the three-month period ended January 31, 2023, the Company has repurchased and cancelled 70,529 common shares. The number of shares outstanding as of March 15, 2023 includes the share buy-back and cancellation of 70,529 common shares pursuant to the Company's normal course issuer bid.

USE OF PROCEEDS FROM FINANCING

July 2021 Private Placement and Bought Deal Financing

On July 6, 2021, the Company completed a private placement, a bought deal financing and issued 3,097,594 common shares for aggregate gross proceeds of $49.6 million and net proceeds of $46.7 million. The following table shows the estimated use of proceeds, compared with the actual use of proceeds as at January 31, 2023:

(In thousands of Canadian dollars)	**Actual use of proceeds**	**Estimated use of proceeds**	**Variance**
Market expansion costs (including retailer listing and distribution fees, in-store materials, additional sales force and product broker fees)	429	10,814	(10,385)
Marketing and brand awareness	2,671	28,000	N/M
Product innovation investments / R&D	69	5,000	N/M
General working capital and corporate (including public company operating costs)	1,071	2,923	N/M
Remaining as at January 31 2023	42,497	-	42,497
Total net proceeds	46,737	46,737	-
Share issuance costs	2,825	2,825	-
Gross proceeds	49,562	49,562	-

N/M: Not meaningful

Note: cash and cash equivalents of $21.7 million and short-term investments of $20.8 million are both included in the "Remaining balance as at January 31, 2023" number above.

RISK FACTORS

Please refer to the risk factors described in the "Risk Factors" section of the Company's Annual Information Form dated January 25, 2023.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, the Company has filed certificates signed by the Chief Executive Officer and the Chief Financial Officer ("Certifying Officers") that, among other things, reported on the design and operating effectiveness of disclosure controls and procedures ("DC&P") and the design and operating effectiveness of internal control over financial reporting at October 31, 2022.

DISCLOSURE CONTROLS AND PROCEDURES ("DC&P")

The Company has designed DC&P to provide reasonable assurance that material information relating to the Company is made known to the Certifying Officers and that information required to be disclosed to satisfy the Company's continuous disclosure obligations is recorded, processed, summarized and reported within the time periods specified by applicable Canadian securities legislation.

INTERNAL CONTROLS OVER FINANCIAL REPORTING ("ICFR")

The Certifying Officers have designed ICFR or have caused them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In designing and evaluating internal controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements.

The control framework used to design the Company's ICFR is based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework (2013 framework).

There were no changes to the Company's ICFR for the period beginning on November 1, 2022 and ended January 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.