Management's Discussion and Analysis

For the fiscal year ended October 31, 2020

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 Inc. ("**GURU**" or the "**Company**") as at October 31, 2020, and the consolidated operating results of the Company for the year then ended.

This MD&A is dated January 20, 2021 and was prepared with information available at that date. In this MD&A, references to fiscal 2020 are to the fiscal year ended October 31, 2020, references to fiscal 2019 are to the fiscal year ended October 31, 2019. This document should be read in conjunction with the audited annual consolidated financial statements and notes thereto for the years ended October 31, 2020 and 2019. 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").

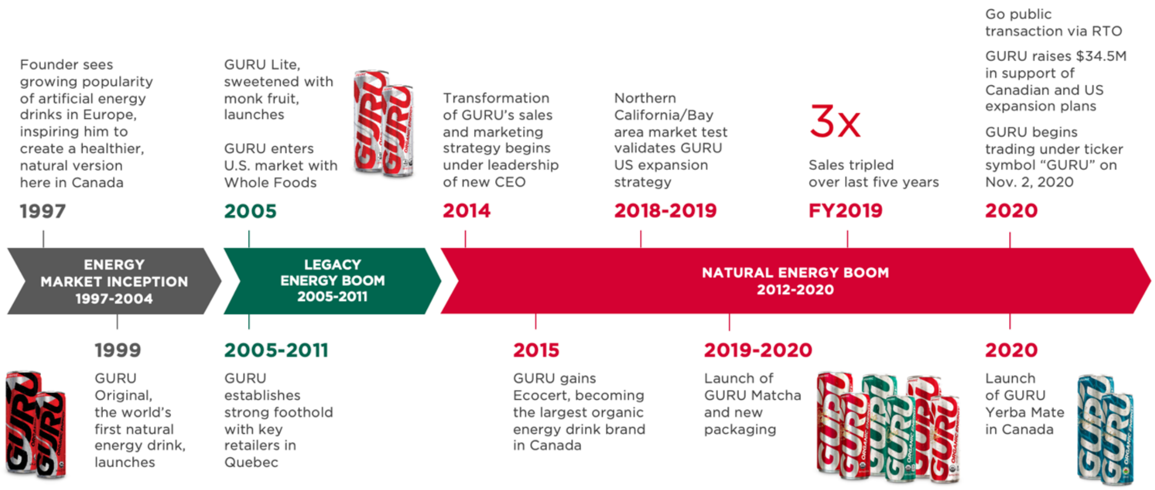
FORWARD-LOOKING STATEMENTS

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 our objectives and the strategies for achieving those objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. Forward-looking statements are typically identified by the use of words such as "may", "would", "should", "could", "expect", "intend", "estimate", "anticipate", "plan", "foresee", "believe", or "continue", although not all forward-looking statements contain these words. 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 the reader is therefore cautioned that such information may not be appropriate for other purposes. Forward-looking statements are based on assumptions and are subject to a number of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking statements. Those risks and uncertainties include the following, which are discussed in greater detail under "Risk Factors" in the Company's Annual Information Form for the year ended October 31, 2020, available on SEDAR at www.sedar.com: management of growth; reliance on key personnel; 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 or other major macroeconomic phenomena; global or regional catastrophic events; fluctuations in foreign currency exchange rates; revenues derived entirely from energy drinks; increased competition; relationships with co-packers and/or their ability to manufacture GURU's products; 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; 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; no assurance of continued profitability or positive EBITDA; and conflicts of interest. Certain assumptions were made in preparing the forward-looking statements concerning availability of capital resources, business performance, market conditions and consumer 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 we anticipate will be realized or, even if substantially realized, that they will have the expected consequences or effects on our 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 we do 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 the Montreal Club scene, our founders drew their inspiration from the trend of mixing energy-releasing plants and exotic combinations. They wanted to provide their patrons with a source of energy that was not artificial – natural, plant-based organic energy. GURU, the world's first natural energy drink, was launched in 1999, and none of us have looked back since.



Our Business

GURU's activities consist of developing, marketing, selling and distributing natural, organic, plant-based (100% Crap Free™) energy drinks under the GURU brand name. Manufacturing is outsourced to a network of established third-party co-packers. We do, however, provide our production partners with our recipes, flavours, ingredient blends, cans and other raw materials for our beverages, purchased by us from various suppliers across the globe. Our corporate headquarters are located in Montreal, Quebec.

As at January 20, 2020, GURU had over 15,000 points of sale in Canada (primarily Quebec) and across the United States and was the only organic plant-based energy drink in Canada.

Our Market[1]

The North American energy drink industry is currently estimated at US $15 billion in annual sales, with energy drinks being the fastest growing category of non-alcoholic beverages, steadily gaining market share from soft drinks and juices. Over the last year, the energy drink category has seen 7.9% sales growth compared to 2.8% for total beverages.[2]
The North American energy drink industry is estimated to reach US $19.4 billion in sales by 2024, an 8.1% compound annual growth rate ("CAGR").

Retail sales of sports and energy drinks in Canada were forecast to reach about US $1.03 billion in 2022, an increase of about US $0.2 billion in sales since 2017.[3]

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[1] Mintel, May 2020. Does not include the energy shots segment.
[2] Nielsen All Market Channels W/E 12/07/2019 – 01/09/2020.
[3] Statista (November 30, 2020).

The Market Opportunity

Millennials and Gen Z consumers account for 70% of consumption in the energy drink market. These two generations love energy drinks, but the ingredients list scares 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 new products aimed at solving the industry's biggest problem: its ingredients list.

The main differentiators for GURU's products are its clean list of organic plant-based ingredients and its brand name, GURU, one that is full of meaning (a mentor / teacher who helps you move forward and is a source of inspiration and good energy). We offer consumers healthy energy drinks that feel and taste like energy drinks without detriment to their health (no energy crashes or jitters, no artificial sweeteners, no synthetic caffeine yet similar caffeine content).

Our Strategy

GURU's current sales channel mix consists mainly of convenience stores and gas outlets, grocery and drug stores, and online sales. Online sales have experienced strong growth in the past year, in large part due to the impact of COVID-19 on consumers' shopping habits, and we anticipate this trend 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. We have invested significant marketing efforts in building brand awareness and trial through a proven strategy that has allowed us to build a loyal following (GURU Nation), become the #3 brand in our legacy market, Quebec, and experience 70% year-over-year retail sales growth in our largest channel, convenience and gas.[4]

Financial Outlook

GURU's recent closing of its $34.5 million financing, explained in detail in Note 1 of the Audited Annual Consolidated Financial Statements for fiscal 2020, is paramount to achieving our mission of cleaning the energy drink industry and our goal of growing our business in Canada and the United States. Our legacy Quebec market has been a true success story in terms of sales and profitability, and our aim is to replicate our model and adapt it to the rest of North America. We believe that GURU is poised to gain significant market share across North America as it addresses the industry's biggest issue: consumer concern about the safety of ingredients in energy drinks.

To achieve our growth objectives, we will heavily invest in sales and marketing over the next few years, which will impact our short-term profitability. However, over the longer term, our goal is to create sustained long-term shareholder value, which will allow us to improve our cost structure and achieve our long-term margin and profitability goals.

In 2020, we continued gaining market share in Quebec, rapidly growing our online channel, and launching GURU in major U.S. conventional grocery and retail stores, such as Walmart, Albertsons/Safeway, CVS and H-E-B. We also have commitments for other targeted launches in 2021 both in the U.S. and Canada.

COVID-19

The COVID-19 pandemic is causing significant financial market and social dislocation, with cities and countries around the world responding in various ways to mitigate its impact and curb its spread. The Company was negatively impacted by the onset of the pandemic in the spring of 2020, and for the year ended October 31, 2020, the Company recognized payroll subsidies totalling $145,307, primarily under the Canada Emergency Wage Subsidy program. However, the Company recovered quickly and resumed its accelerated growth in response to the trend in demand. Considered an essential service in Canada, the Company continued to operate steadily throughout 2020. The Company will continue to monitor the situation and continuously assess any potential further impact on its operations including avoiding disruptions in customer supply. The Company has put in place multiple contingency plans to ensure its supply chain and general operations can be maintained with minimal disruption. It remains difficult to predict what the impact of the ongoing pandemic may be on the Company's future business.

[4] Nielsen L52 WE 7/18/20: Quebec Convenience & Gas.

NON-IFRS FINANCIAL MEASURES

Adjusted EBITDA and adjusted EBITDA Margin[5]

Adjusted EBITDA and adjusted EBITDA margin are both non-IFRS financial measures. Adjusted EBITDA is defined as net income or loss before reverse acquisition of Mira X expenses, income taxes, net finance expenses, depreciation and amortization, and stock-based compensation expenses, while adjusted EBITDA margin is defined as the percentage of adjusted EBITDA to revenues. We believe that adjusted EBITDA and adjusted EBITDA margin are useful measures of financial performance because they provide an indication of the Company's ability to seize growth opportunities in a cost-effective manner, finance its ongoing operations and service its long-term debt.

Net cash (debt)[5]

Net cash (debt) is defined as bank overdraft, credit facilities, long-term debt and lease liabilities, including current portions less cash. We believe that net debt is an important measure when analyzing the significance of debt on the Company's statement of financial position.

Each of these non-IFRS financial measures is not an earnings or cash flow measure recognized by International Financial Reporting Standards (IFRS) and does not have a standardized meaning prescribed by IFRS. Our method of calculating such financial measures may differ from the methods used by other issuers and, accordingly, our definition of these non-IFRS financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that non-IFRS financial measures should not be construed as an alternative to net income determined in accordance with IFRS as indicators of our performance or to cash flows from operating activities as measures of liquidity and cash flows.

MAIN HIGHLIGHTS

Q4 revenue up 51% to $6.1 million vs Q4 2019	**64% gross margin in fiscal 2020**	**+$35 million of cash and credit facilities**
#3 brand in Québec	**Québec YoY market share increased from 9% to 13%[6]**	**13% market share in Québec[7]**

OUR GOAL: REPLICATE OUR QUEBEC SUCCESS STORY ACROSS CANADA AND THE U.S.

[5] Refer to reconciliation of net income (loss) to adjusted EBITDA and net debt sections of the MD&A.
[6] Nielsen: L52 period ending July 18, 2020 (Grocery Drug Mass + Convenience & Gas) Quebec vs. same period YAGO
[7] Nielsen: L52 period ending July 18, 2020 (GDM+C&G) Quebec

Q4 2020 HIGHLIGHTS

- Revenue increased by 51% or $2.0 million to $6.1 million, compared to $4.1 million in Q4 2019.
- Gross profit totalled $3.7 million, an increase of 41% or $1.1 million compared to $2.6 million in Q4 2019. Gross margin was 61% of revenue, compared to 65% in Q4 2019.
- Net loss of $3.1 million in Q4 2020, compared to a net loss of $0.7 million in Q4 2019, mainly due to the reverse acquisition of Mira X expenses totalling $2.9 million.
- Adjusted EBITDA[9] of $(0.4) million in Q4 2020, compared to $(0.6) million in Q4 2019.
- Closing of $34.5 million financing and listing on the TSX.
- Launch of GURU Yerba Mate subsequent to year end in November 2020.

FISCAL 2020 HIGHLIGHTS

- Revenue increased by 26% or $4.6 million to $22.1 million, compared to $17.5 million in fiscal 2019. The Company's growth trend was impacted by the COVID-19 pandemic in Q2 and Q3 2020 but has recovered since July 2020 with a 51% increase in sales compared to Q4 2019.
- Market share growth in Quebec[8] in fiscal 2020, from 9.2% a year ago to 13.1% market share.
- Gross profit totalled $14.0 million, an increase of 22% or $2.5 million compared to $11.5 million in fiscal 2019. Gross margin was 64% of revenue, compared to 66% in fiscal 2019.
- Net loss of $2.2 million in fiscal 2020, compared to a net income of $0.7 million in fiscal 2019, mainly due to the reverse acquisition of Mira X expenses totalling $2.9 million.
- Cash flow from (used in) operating activities of $(0.1) million, compared to $1.2 million in fiscal 2019.
- Adjusted EBITDA[9] of $1.4 million in fiscal 2020, compared to $1.6 million in fiscal 2019.
- Adjusted EBITDA margin[9] of 6%, compared to 9% in fiscal 2019.

[8] Nielsen: L52 period ending July 18, 2020 (GDM+C&G) Quebec vs. same period YAGO
[9] Refer to reconciliation of net income (loss) to adjusted EBITDA and net cash (debt) sections of the MD&A.

SELECTED ANNUAL FINANCIAL INFORMATION[10]

The selected financial information below was derived from the Company's financial statements, prepared in accordance with IFRS, for the fourth quarters ended October 31, 2020 and 2019 and the years ended October 31, 2020, 2019 and 2018.

	Three-month periods ended				Twelve-month periods ended					
	October 31, 2020		October 31, 2019		October 31, 2020		October 31, 2019		October 31, 2018	
(In thousands of Canadian dollars, except per share data)	$	% of revenue	$	% of revenue	$	% of revenue	$	% of revenue	$	% of revenue
Revenue	**6,115**	**100%**	4,050	100%	**22,100**	**100%**	17,499	100%	12,240	100%
Cost of goods sold	2,410	39%	1,413	35%	8,062	36%	5,956	34%	4,377	36%
Gross profit	**3,705**	**61%**	2,636	65%	**14,039**	**64%**	11,544	66%	7,863	64%
Selling, general and administrative expenses	4,210	69%	3,398	84%	13,006	59%	10,307	59%	7,360	60%
Net financial expenses	56	1%	101	2%	312	1%	271	2%	173	1%
Reverse acquisition of Mira X expenses	2,916	48%	-	0%	2,916	13%	-	0%	-	0%
Income (loss) before income taxes	**(3,477)**	**-57%**	(863)	-21%	**(2,195)**	**-10%**	965	6%	330	3%
Income taxes	(331)	-5%	(210)	-5%	(39)	0%	260	1%	435	4%
Net income (loss)	**(3,145)**	**-51%**	(653)	-16%	**(2,156)**	**-10%**	705	4%	(105)	-1%
Basic & Diluted earnings (loss) per share	(0.11)		(0.03)		(0.07)		0.03		0.00	
Adjusted EBITDA[9]	(419)	-7%	(626)	-15%	1,428	6%	1,592	9%	769	6%
Cash flow from (used in) operating activities					(137)	-1%	1,187	7%	516	4%
Revenues by geography										
Canada	5,381	88%	3,287	81%	18,233	83%	13,230	76%	8,259	67%
United States	734	12%	763	19%	3,867	17%	4,269	24%	3,981	33%
Total assets					41,794		7,671		5,646	
Net cash (debt)[9]					29,946		(2,080)		(2,930)	

RECONCILIATION OF NET INCOME (LOSS) TO ADJUSTED EBITDA[10]

	Three-month periods ended		Twelve-month periods ended		
	October 31, 2020	October 31, 2019	October 31, 2020	October 31, 2019	October 31, 2018
(In thousands of Canadian dollars)	$	$	$	$	$
Net income (loss)	(3,145)	(653)	(2,156)	705	(105)
Reverse acquisition of Mira X expenses	2,916	-	2,916	-	-
Net finance expenses	56	101	312	271	173
Depreciation and amortization	64	76	309	296	266
Income taxes	(331)	(210)	(39)	260	435
Stock-based compensation expenses	21	60	86	60	-
Adjusted EBITDA	(419)	(626)	1,428	1,592	769

RECONCILIATION OF NET CASH (DEBT)[10]

	As at		
	October 31, 2020	October 31, 2019	October 31, 2018
(In thousands of Canadian dollars)	$	$	$
Bank overdraft	-	-	(152)
Credit facilities	(13)	(1,327)	(1,457)
Long-term debt	(275)	(605)	(935)
Lease liabilities	(184)	(298)	(386)
Cash	30,418	150	-
Net cash (debt)	29,946	(2,080)	(2,930)

[10] Discrepancies in recalculated amounts or percentages may occur due to rounding.

RESULTS OF OPERATIONS FOR THE FOURTH QUARTER OF FISCAL 2020

Revenue

Revenue increased by 51% or $2.0 million to $6.1 million, compared to $4.1 million for the three-month period ended October 31, 2019. The increase is mainly due to market share growth in Canada, predominantly in Quebec. Sales in the U.S. were slightly lower versus the same period last year primarily due to the impact of the COVID-19 pandemic on consumer shopping patterns in the natural retail channel, which represents a large proportion of GURU's U.S. sales.

Gross profit and margin

Gross profit totalled $3.7 million, an increase of 41% or $1.1 million compared to $2.6 million for the three-month period ended October 31, 2019. Gross margin was 61% for the three-month period ended October 31, 2020, compared to 65% for the same period a year ago. The decrease in gross margin was due to enhanced promotional programs since the start of the COVID-19 pandemic in the spring of 2020 and higher product costs, driven by increased demand for ready-to-drink beverages.

Selling, general and administrative expenses

Selling, general and administrative expenses ("SG&A") include operational, sales, marketing and administration costs. These expenses amounted to $4.2 million or 69% of revenue for the three-month period ended October 31, 2020, an increase of 24% or $0.8 million compared to SG&A of $3.4 million or 84% of revenue for the same period a year ago. The improvement in SG&A as a percentage of revenue was achieved through more controlled sales and marketing spend as a result of the COVID-19 pandemic.

Adjusted EBITDA [11]

Adjusted EBITDA was a loss of $0.4 million compared to a loss of $0.6 million last year.

Net financial expenses

Net financial expenses decreased to $56,108 from $101,134 for the same period a year ago, mainly due to a one-time financing fees in Q4 2019 paid to third-party before the decision to go public.

Income taxes

Income taxes recovery amount of $331,373 for the three-month period ended October 31, 2020 compared to a recovery of $210,144 for the three-month period ended October 31, 2019. The tax recovery rate is low during the three-month period ended October 31, 2020 compared to its statutory tax rate mainly because of non-deductible expenses such as the charge relating to the consideration transferred for Mira X in excess of net assets acquired combined with unrecognized tax losses incurred in the current quarter, as management does not expect profitable operations in the near future due to anticipated significant investment in marketing expenses.

Net income (loss)

Net loss for the fourth quarter of fiscal 2020 totalled $3.1 million or $(0.11) per share (basic and diluted), compared to a net loss of $0.7 million or $(0.03) per share (basic and diluted) for the same period a year ago. The majority of the net loss reflects the reverse acquisition costs of Mira X incurred by GURU ahead of its listing on the Toronto Stock Exchange subsequent to year end.

[11] Refer to reconciliation of net income (loss) to adjusted EBITDA and net cash (debt) sections of the MD&A.

RESULTS OF OPERATIONS FOR FISCAL 2020

Revenue

Revenue increased by 26% or $4.6 million to a record $22.1 million, compared to $17.5 million in fiscal 2019. The Company's growth trend was impacted by the COVID-19 pandemic in Q2 and Q3 2020 but has recovered since July 2020 with a 51% increase in sales compared to Q4 2019. The increase was mainly due to the market share growth in Canada (predominantly in Quebec), driven by both convenience and gas outlets and grocery stores, partially offset by lower sales in the U.S. primarily due to the impact of the COVID-19 pandemic on consumer shopping patterns in the natural retail channel, which represents a large proportion of GURU's U.S. sales.

Gross profit and margin

Gross profit totalled $14.0 million, an increase of 22% or $2.5 million compared to $11.5 million in fiscal 2019. Gross margin was 64% in fiscal 2020, compared to 66% a year ago. The decrease in gross margin was due to enhanced promotional programs since the start of the of the COVID-19 pandemic in the spring of 2020 and higher product costs, driven by increased demand for ready-to-drink beverages.

Selling, general and administrative expenses

Selling, general and administrative expenses ("SG&A") include operational, sales, marketing and administration costs. These expenses amounted to $13.0 million or 59% of revenue in fiscal 2020, an increase of 26% or $2.7 million compared to SG&A of $10.3 million or 59% of revenue a year ago. SG&A remained stable as a percentage of revenue through controlled and methodical sales and marketing spend as a result of the COVID-19 pandemic.

Adjusted EBITDA and adjusted EBITDA margin[12]

Adjusted EBITDA was $1.4 million compared to $1.6 million last year, resulting in an adjusted EBITDA margin of 6% in fiscal 2020 versus 9% in fiscal 2019.

Net financial expenses

Net financial expenses increased to $311,519 from $271,217 in fiscal 2019, as the Company planned ahead for a stronger seasonal period due to growth by increasing its inventories, requiring more working capital support and due to one-time financing fees paid to third-party before the decision to go public in 2020.

Income taxes

Income taxes recovery for an amount of $38,508 was recorded in fiscal 2020 compared to a charge of $260,437 in in fiscal 2019. The 2020 tax recovery rate is low compared to its statutory tax rate mainly because of non-deductible expenses such as the charge relating to the consideration transferred for Mira X in excess of net assets acquired combined with unrecognized tax losses incurred in 2020, as management does not expect profitable operations in the near future due to anticipated significant investment in marketing expenses.

Net income (loss)

Net loss for the year totalled $2.2 million or $(0.07) per share (basic and diluted), compared to a net income of $0.7 million or $0.03 per share (basic and diluted) a year ago. The reverse acquisition of Mira X, which cost $2.9 million, was the main reason for the net loss. Excluding this transaction, GURU would have generated income before taxes of $721,347 in fiscal 2020.

[12] Refer to reconciliation of net income (loss) to adjusted EBITDA and net cash (debt) sections of the MD&A.

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 credit facilities and long-term debt, and at year-end on the private placement financing completed in connection with the reverse acquisition of Mira X, which are included in the Company's definition of capital. The Company manages its excess cash to ensure that it has sufficient reserves to fund its operations and capital expenditures.

Cash Flows

	FISCAL 2020	FISCAL 2019
	October 31, 2020	October 31, 2019
(In thousands of Canadian dollars)	$	$
Cash flow from (used in) operating activities	(137)	1,187
Cash flow from (used in) financing activities	30,412	(861)
Cash flow used in investing activities	(6)	(22)
Effects of movements in exchange rate on cash held	(0)	(1)
Increase in cash and cash equivalents	30,269	302
Cash and cash equivalents, net of bank overdraft beginning of the year	150	(152)
Cash and cash equivalents, end of the year	30,418	150

Cash flow from operating activities

In fiscal 2020, operating activities used cash flow of $0.1 million, having generated $1.2 million in 2019. The decrease in fiscal 2020 is mainly due to the loss incurred in fiscal 2020, including the reverse acquisition of Mira X expenses.

Cash flow from financing activities

Financing activities generated cash flow of $30.4 million in fiscal 2020, compared to using $0.9 million in 2019. The variance in fiscal 2020 is principally attributable to the conclusion of a $34.5 million financing in the fourth quarter of fiscal 2020, partially offset by share issuance costs and the repayment of credit facilities and long-term debt.

Cash flow from investing activities

Investing activities used cash flow of $6,062 in fiscal 2020, compared to $22,378 in fiscal 2019. The variance in fiscal 2020 is mainly due to deposits on leases.

Credit Facilities

The Company has an authorized line of credit of a maximum amount of $4,500,000 (2019 - $1,500,000) and US$1,000,000 (2019 - US$450,000), which can be used in the form of advances in Canadian dollars or in US dollars. As at October 31, 2020, the line of credit was not used in the form of Canadian dollar advances (2019 - $1,327,000) bearing interest at the prime rate (2.45% as at October 31, 2020) plus 1%, and was used in the form of American dollar advances for an amount of US$10,000 (2019 - nil) bearing interest at the US base rate (3.75% as at October 31, 2020) plus 1%.

The Company also has an authorized line of credit that can be used in the form of a foreign exchange contract for a maximum amount of US$550,000 (2019 - $1,200,000); this credit facility was not used as at October 31, 2020 (2019 - nil).

The Company has a letter of credit for a maximum of $800,000 for which an amount of EUR$300,000 ($465,492 Canadian dollars) has been used as of October 31, 2020 (2019 - nil).

Long-Term Debt

The Company has one term loan with a remaining balance of $35,000 as of October 31, 2020, repayable in monthly payments of $17,500 in principal only plus interest at prime rate (2.45% as at October 31, 2020) plus 2.50%, with additional repayments if free cash flows are available up to a maximum of $130,000, maturing in December 2020.

The Company also has a second term loan with a remaining balance of $240,000 as of October 31, 2020, repayable in monthly payments of $10,000 in principal only plus interest at prime rate (2.45% as at October 31, 2020) plus 2.50%, maturing in October 2022.

The credit facilities noted and the long-term debt above are secured by the universality of the Company's movable assets, a joint guarantee of 6384269 Canada Inc. to a maximum of $8,000,000, a joint guarantee of GURU Beverage Co. to a maximum of $8,000,000 and a personal guarantee of shareholders for an amount of $646,667, renewable annually. These credit facilities and the long-term debt are subject to certain conditions; as at October 31, 2020, these conditions were met.

FINANCIAL POSITION

The following tables show the main variances that have occurred in the Company's financial position for the year ended October 31, 2020:

	October 31, 2020	October 31, 2019	Variance	Significant contributions
(In thousands of Canadian dollars)	$	$	$	
Receivables	2,950	2,607	343	Increase due to revenue growth in fiscal 2020
Inventories	6,312	2,948	3,363	Increase due to revenue growth in fiscal 2020 and increase of inventory on hand
Credit facilities	13	1,327	(1,314)	Repayment post-financing
Accounts payable and accrued liabilities	7,345	2,855	4,490	Increase due to growth of business and accrued liabilities due to RTO transaction
Lease liabilities (including current portion)	184	298	(114)	Decrease due to monthly payments of leases
Long-term debt (including current portion)	275	605	(330)	Decrease due to annual payment on the long-term debt

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)

	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Revenue	**6,115**	6,595	4,062	5,328	4,050	5,808	4,136	3,505
Gross profit	**3,705**	4,351	2,441	3,542	2,636	3,953	2,725	2,230
Net income (net loss)	**(3,145)**	1,236	-921	674	(653)	1,065	253	40
Basic and diluted earnings (loss) per share	$ **(0.11)**	$ 0.06	$ (0.04)	$ 0.03	$ (0.03)	$ 0.05	$ 0.01	$ 0.00

Factors affecting the variability of quarterly results
There are quarter-over-quarter variations in revenue that are caused by seasonality as well as sales and marketing campaigns. Exceptionally, the variation in Q2 2020 results versus Q1 2020 results is due to the start of the COVID-19 pandemic.

In addition, the results for Q4 2020 includes the $2.9 million cost of the reverse acquisition of Mira X transaction, and Q2 2020 suffered from the effect of the start of the COVID-19 pandemic and the operational adjustments that were required.

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 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.

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'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 October 31, 2020:

(In thousands of Canadian dollars)	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
Credit facilities	13	13	13	-	-
Trade and other payables	7,345	7,345	7,345	-	-
Lease liabilities, including current portion	184	196	88	103	5
Long-term debt, including current portion	275	288	164	123	-

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. The credit risk of cash and cash equivalents 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 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, 50% (2019 – 47%) of accounts receivable are concentrated with three (2019 – two) clients who represent together 49% (2019 – 39%) of the year's sales. The Company does not normally require a guarantee.

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.

During the year ended October 31, 2020, all else being equal, a hypothetical strengthening of 5.0% of the U.S. dollar against the Canadian dollar would not have a material impact on the Company's consolidated statement of income (loss) and comprehensive income (loss) for the year ended October 31, 2020 and 2019.

Interest Rate Risk

The Company's credit facility and long-term debt bear interest at a variable rate based on the bank's prime rate plus a percentage. As a result, the Company is exposed to interest rate risk due to fluctuations in the bank's prime rate during the year.

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 net income.

UNRECOGNIZED DEFERRED TAX ASSETS

The Company has unused non-capital losses in the amount of $4.4 million (2019 - $3.0 million) of which $0.9 million have not been recognized. These unrecognized losses are expiring in 2040, and they are not recognized because management has determined that it is not probable of realizing the tax benefit in a group entity for which it does not expect profitable operations in the near future due to anticipated significant investment in growth and expansion.

The Company also has unrecognized deductible temporary differences totalling $1.2 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 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.

RELATED-PARTY TRANSACTIONS

A significant shareholder's management company is considered to be a related party of the Company. During the year ended October 31, 2020, the Company paid the management company fees of $209,989 (2019 – $233,553).
These transactions are recorded at the amount of consideration paid as established and agreed to by the related parties, which approximates market value.

SEGMENT REPORTING

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

CRITICAL ACCOUNTING ESTIMATES

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, revenues and expenses. Actual results may differ from these estimates. Please refer to Note 4 in the Audited Annual Consolidated Financial Statements for the year ended October 31, 2020 for further details.

STOCK-BASED COMPENSATION

On October 1, 2019, the Company created a stock option plan for its key employees, directors and consultants. This plan was dissolved upon the reverse acquisition of Mira X, as described in Note 1 of the Audited Annual Consolidated Financial Statements for fiscal 2020 and replaced by a new plan with same terms. The plan provides for the granting of options to purchase common shares where at any given time the number of stock options reserved for issuance should not exceed to 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. As at October 31, 2020, 2,355,826 stock options were available for issuance (2019 - 2,230,208).

For the fiscal year ended October 31, 2020, 156,547 stock options were granted at a weighted average exercise price of $2.45 per option. Share-based compensation options for fiscal 2020 were $85,987, compared to $60,000 in fiscal 2019.

Moreover, as at October 29, 2020, 324,799 compensation options were granted to GURU's private placement agents and brokers, exercisable only once GURU stock starts trading on the TSX (i.e., as at November 2, 2020).

OUTSTANDING SHARE DATA

	As at January 20, 2021
Shares outstanding	29,048,554
Stock options (average exercise price of $2.44 per share)	210,171
Compensation options (average exercise price of $5.45 per share)	184,199
Fully diluted shares	29,442,924

REVERSE TAKEOVER TRANSACTION, PRIVATE PLACEMENT AND TSX LISTING

On August 24, 2020, 6384269 Canada Inc. (doing business as GURU Beverage Co and GURU Beverage Inc.) ("GURU PrivateCo") entered into a letter of intent with Mira X Acquisition Corp. ("Mira X") to complete a going-public transaction in Canada for the Company.

On September 30, 2020, GURU PrivateCo completed a private placement of 6,330,750 subscription receipts at a price of $5.45 per subscription receipt for aggregate gross proceeds of $34,502,588. Each subscription receipt was exchangeable for one (1) class A share of GURU PrivateCo, and ultimately entitled the holder thereof to one common share of the Company, upon completion of the amalgamation.

On October 29, 2020, Mira X completed the amalgamation with GURU PrivateCo pursuant to Policy 2.4 - Capital Pool Companies of the TSXV. Mira X changed its name to "GURU Organic Energy Corp."

On November 2, 2020, GURU's common shares began trading on the Toronto Stock Exchange (the "TSX") under the symbol "GURU".

For further details on these transactions, please refer to the Annual Information Form for the year ended October 31, 2020.

USE OF PROCEEDS FROM PRIVATE PLACEMENT

On September 30, 2020, the Company completed a private placement and issued 6,330,750 common shares for aggregate gross proceeds of $34,502,588 (including proceeds from over-allotment option).

The following table shows the estimated use of proceeds, compared with the actual use of proceeds as at October 31, 2020:

(In thousands of Canadian dollars)	Actual use of proceeds	Estimated future use of proceeds	Variance
Market expansion costs (including retailer listing and distribution fees, in-store materials, additional sales force and product broker fees)	$ -	$ 12,000	$ (12,000)
Marketing and brand awareness	-	10,000	(10,000)
Product innovation investments / R&D	-	3,000	(3,000)
General working capital and corporate	-	4,528	(4,528)
Remaining as at October 31, 2020	29,528	n/a	29,528
Total net proceeds	29,528	29,528	-
Reverse acquisition of Mira X expenses	2,916	2,916	-
Share issuance costs	2,329	2,329	-
Gross proceeds	$ 34,503	$ 34,503	$ -

RISK FACTORS

Please refer to the risk factors described in the "Risk Factors" section of the Company's Annual Information Form, dated January 20, 2021.

CONTROLS AND PROCEDURES

As a result of the Company's reverse acquisition of Mira X in Fiscal 2020, the Company is exempt from representations relating to the establishment and maintenance of disclosures controls and procedures (DC&P) and internal controls over financial reporting (ICFR), as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109).

SUBSEQUENT EVENTS

Toronto Stock Exchange Listing

On November 2, 2020, GURU started trading its common shares on the Toronto Stock Exchange (the "TSX"), under the symbol "GURU".

Exercise of Compensation Options

In November 2020, the private placement agents and brokers partially exercised their options; 140,600 options were exercised at the listing price of $5.45 per common share for total gross proceeds of $766,270.

Head Office Lease

In November 2020, the Company signed a lease for its head office which consists of minimum lease payments of $2.1million over 7 years.