Consolidated Financial Statements of

GURU ORGANIC ENERGY CORP.
(formerly Mira X Acquisition Corp.)

Years ended October 31, 2020 and 2019

GURU ORGANIC ENERGY CORP.

(formerly Mira X Acquisition Corp.)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Guru Organic Energy Corp. (formerly Mira X Acquisition Corp.)

Opinion

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

- the consolidated statements of financial position as at October 31, 2020 and 2019
- the consolidated statements of (loss) income and other comprehensive (loss) income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at October 31, 2020 and 2019 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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

Other Information

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

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

KPMG LLP*

Montréal, Canada

January 20, 2021

*CPA auditor, CA, public accountancy permit No. A115894

GURU ORGANIC ENERGY CORP.

(formerly Mira X Acquisition Corp.)

Consolidated Statements of Financial Position

October 31, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	$ 30,418,296	$ 149,652
Trade and other receivables (note 9)	2,949,806	2,606,719
Income taxes receivable	–	6,877
Refundable investment tax credits	72,375	147,000
Inventories (note 10)	6,311,783	2,948,484
Prepaid expenses	395,210	230,637
	40,147,470	6,089,369
Fixed assets (note 11)	43,794	95,866
Intangible assets	39,416	61,507
Right-of-use assets (note 12)	206,113	313,840
Other assets (note 13)	364,033	376,159
Deferred tax assets (note 23)	993,623	733,965
	$ 41,794,449	$ 7,670,706

See accompanying notes to consolidated financial statements.

GURU ORGANIC ENERGY CORP.

(formerly Mira X Acquisition Corp.)

Consolidated Statements of Financial Position (continued)

October 31, 2020 and 2019

		2020		2019
Liabilities and Shareholders' Equity				
Current liabilities:				
Credit facilities (note 14)	$	13,318	$	1,327,000
Accounts payable and accrued liabilities (note 15)		7,345,147		2,865,363
Income taxes payable		315,405		487,667
Current portion of long-term debt (note 16)		155,000		330,000
Current portion of lease liabilities (note 17)		81,586		167,635
		7,910,456		5,177,665
Deferred tax liabilities (note 23)		93,483		82,439
Long-term debt (note 16)		120,000		275,000
Lease liabilities (note 17)		102,038		130,028
		8,225,977		5,665,132
Shareholders' equity:				
Share capital (note 18)		36,550,646		3,425,576
Contributed surplus		639,682		60,000
Deficit		(3,569,375)		(1,412,981)
Accumulated other comprehensive loss		(52,481)		(67,021)
		33,568,472		2,005,574
Subsequent events (note 28)				
	$	41,794,449	$	7,670,706

See accompanying notes to consolidated financial statements.

On behalf of the Board:

(signed) Carl Goyette Director

(signed) Joseph Zakher Director

GURU ORGANIC ENERGY CORP.

(formerly Mira X Acquisition Corp.)

Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income

Years ended October 31, 2020 and 2019

	2020	2019
Revenue (note 20)	$ 22,100,254	$ 17,499,415
Cost of goods sold	8,061,694	5,955,578
Gross profit	14,038,560	11,543,837
Selling, general and administration expenses (note 21)	13,005,692	10,307,462
Net financial expenses (note 22)	311,519	271,217
Reverse acquisition of Mira X (note 8)	2,916,251	–
	16,233,462	10,578,679
(Loss) income before income taxes	(2,194,902)	965,158
Income taxes (note 23):		
Current	22,525	155,006
Deferred	(61,033)	105,431
	(38,508)	260,437
Net (loss) income	(2,156,394)	704,721
Other comprehensive income:		
Item that is or may be reclassified subsequently to consolidated statements of (loss) income:		
Foreign operations - foreign currency translation differences	14,540	1,407
Total comprehensive (loss) income	$ (2,141,854)	$ 706,128
Basic and diluted (loss) earnings per share (note 19)	$ (0.07)	$ 0.03

See accompanying notes to consolidated financial statements.

GURU ORGANIC ENERGY CORP.

(formerly Mia X Acquisition Corp.)

Consolidated Statements of Changes in Equity

Years ended October 31, 2020 and 2019

	Share capital					
	Number	Amount	Contributed surplus	Deficit	Accumulated other comprehensive loss - foreign currency translation	Total
Balance as of October 31, 2018	22,448,069	$ 3,425,576	$ –	$ (2,117,702)	$ (68,428)	$ 1,239,446
Net income	–	–	–	704,721	–	704,721
Stock-based compensation expense	–	–	60,000	–	–	60,000
Other comprehensive income:						
Foreign operations - foreign currency translation differences	–	–	–	–	1,407	1,407
Balance as of October 31, 2019	22,448,069	$ 3,425,576	$ 60,000	$ (1,412,981)	$ (67,021)	$ 2,005,574
Net loss	–	$ –	$ –	$ (2,156,394)	$ –	$ (2,156,394)
Share buyback (note 18)	(46,184)	(4,368)	–	–	–	(4,368)
Private placement (note 18)	6,330,750	34,502,587	–	–	–	34,502,587
Share issue costs, net of taxes of $182,233 (note 18 and 23)		(2,328,649)	493,695	–	–	(1,834,954)
Effect of reverse acquisition of Mira X (note 7 and 18)	175,321	955,500	–	–	–	955,500
Stock-based compensation expense	–	–	85,987	–	–	85,987
Other comprehensive income:						
Foreign operations - foreign currency translation differences	–	–	–	–	14,540	14,540
Balance as of October 31, 2020	28,907,956	$ 36,550,646	$ 639,682	$ (3,569,375)	$ (52,481)	$ 33,568,472

In relation to the reverse takeover transaction, as described in note 1, on October 28, 2020, the common shares of 6384269 Canada Inc. were split on a 1:916 basis (the "Share Split"). The Share Split is reflected retrospectively in these consolidated financial statements.

See accompanying notes to consolidated financial statements.

GURU ORGANIC ENERGY CORP.

(formerly Mira X Acquisition Corp.)

Consolidated Statements of Cash Flows

Years ended October 31, 2020 and 2019

	2020	2019
Cash provided by (used in):		
Operating:		
Net (loss) income	$ (2,156,394)	$ 704,721
Adjustments for:		
Depreciation and amortization	309,061	295,895
Income tax (recovery) expense	(38,508)	260,437
Net financial expenses	237,487	241,896
Stock-based compensation expense	85,987	60,000
Additions to other assets	(40,430)	(157,932)
Consideration transferred for Mira X in excess of net asset acquired	955,400	–
Income tax received	3,946	–
Net change in non-cash operating working capital (note 24)	506,147	(218,014)
	(137,304)	1,187,003
Financing:		
Proceeds from issuance of common shares from private placement	34,502,587	–
Share issuance cost	(2,017,187)	–
Share redemption Class A	(10,000)	–
Net change in credit facilities	(1,313,682)	(129,670)
Repayment of long-term debt	(330,000)	(330,000)
Interest and financing fees paid	(237,486)	(244,569)
Payment of lease obligation	(181,850)	(157,205)
	30,412,382	(861,444)
Investing:		
Deposits on leases	(6,062)	(22,378)
Effect of movements in exchange rate on cash held	(372)	(1,297)
Increase in cash and cash equivalents and bank overdraft	30,268,644	301,884
Cash and cash equivalents, net of bank overdraft, beginning of year	149,652	(152,232)
Cash and cash equivalents, end of year	$ 30,418,296	$ 149,652

Additional cash flow information is presented in note 24.

See accompanying notes to consolidated financial statements.

1. Reporting entity:

GURU Organic Energy Corp. (the "Company" or "GURU"), formerly Mira X Acquisition Corp. ("Mira X") up to the completion of the Amalgamation, as defined below, was incorporated under the *Canada Business Corporations Act* on April 28, 2005. The address of its registered office is 7240 Waverly, suite 115, Montreal, QC, Canada H2R 2Y8. These consolidated financial statements comprise the Company and its wholly-owned subsidiaries GURU Beverage Inc., GURU Beverage Co., and GURU Distribution Co. (together referred as the "Group"). GURU Distribution Co. was dissolved during the year ended October 31, 2019. The Group produces, markets and distributes energy drinks for sale in the Canadian and U.S. markets.

<u>Private placement, Amalgamation and reverse takeover</u>

On September 28, 2020, 6384269 Canada Inc. (doing business as GURU) entered into an amalgamation agreement with Mira X and Mira X Subco Inc. ("Mira X Subco"), pursuant to which 6384269 Canada Inc. and Mira X Subco agreed to amalgamate (the "Amalgamation") under the *Canada Business Corporations Act* to form a new entity "Amalco" to complete an arm's length qualifying transaction in accordance with the policies of the TSX Exchange (the "Qualifying Transaction"). The Amalgamation was structured as a three-cornered amalgamation and, as a result, the amalgamated corporation was to become a wholly-owned subsidiary of Mira X at the time of the completion of the Amalgamation.

Immediately prior to the completion of the Qualifying Transaction, on October 28, 2020, Mira X consolidated its common shares on the basis of one post-consolidation Mira X common share for every 83.846 Mira X common shares existing before such consolidation. Similarly, immediately prior to the Amalgamation, 6384269 Canada Inc. split its common shares on the basis of 916 shares for each share existing prior to such split ("the Share Split").

On October 29, 2020, the Amalgamation was completed and Mira X changed its name to GURU Organic Energy Corp. On November 2, 2020, the common shares of GURU Organic Energy Corp began trading upon the Toronto Stock Exchange under the symbol "GURU" and the common shares of the former Mira X were delisted from the TSX Exchange.

In connection with the Amalgamation, the following transactions occurred:

- On October 29, 2020, 6384269 Canada Inc. completed a private placement (the "Private Placement") of 6,330,750 subscription receipts (the "Subscription Receipts") at a price of $5.45 per Subscription Receipt for aggregate gross proceeds of $34,502,587. Each Subscription Receipt was exchangeable for one common share of 6384269 Canada Inc. and ultimately entitled the holder thereof to one common share of GURU Organic Energy Corp., upon completion of the Amalgamation;

1. Reporting entity (continued):

In connection with the Amalgamation, the following transactions occurred (continued):

- The stock option plans of 6384269 Canada Inc. and Mira X were dissolved and replaced by a plan established by GURU Organic Energy Corp. Upon dissolution of the Mira X stock option plan, all outstanding Mira X stock options were cancelled, and, upon dissolution of the 6384269 Canada Inc. stock option plan, all outstanding 6384269 Canada Inc. stock options were cancelled and exchanged for stock options of GURU Organic Energy Corp. with same terms; and
- The holders of 6384269 Canada Inc.'s common shares (including those investors in the Private Placement following the exchange of the Subscription Receipts for common shares of 6384269 Canada Inc. received one common share of GURU Organic Energy Corp. in exchange for each outstanding common share of 6384269 Canada Inc. Following the share exchange, there were 28,907,956 issued and outstanding common shares of GURU Organic Energy Corp., of which the common shareholders of the former 6384269 Canada Inc. controlled a majority.

For accounting purposes, it has been determined that Mira X was the accounting acquiree and 6384269 Canada Inc. was the accounting acquirer as the shareholders of the former 6384269 Canada Inc. now control GURU Organic Energy Corp., based upon the guidance in IFRS 10, *Consolidated Financial Statements*, and IFRS 3, *Business Combinations*, to identify the accounting acquirer (refer to Note 7). Since 6384269 Canada Inc. is considered the accounting acquirer, these consolidated financial statements are prepared as a continuation of the financial statements of 6384269 Canada Inc. As a result, 2019 comparative information included herein is solely that of 6384269 Canada Inc. For simplicity, transactions undertaken by 6384269 Canada Inc. are referred to as being undertaken by the Company in these consolidated financial statements.

1. Reporting entity (continued):

COVID-19 pandemic

The COVID-19 pandemic continues to cause significant financial market and social dislocation. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. While the Company has experienced the impact of the outbreak of the Coronavirus (COVID-19) on its operations, it had continued to operate during the current pandemic as it is considered an essential service in Canada and in the United States. During the year ended October 31, 2020, the Company recognized payroll subsidies totaling $145,307 principally under the Canadian Emergency Wage Subsidy program. These subsidies were recorded as a reduction in the associated personnel costs which the Company incurred, and were recognized in selling, general and administrative expenses. The Company will continue to monitor developments of the pandemic and continuously assess its potential further impact on its operations to prevent any disruptions to customer demand. The Company has put in place multiple contingency plans to ensure its supply chain and general operations can be maintained with minimal disruption throughout the crisis. In the event of a prolonged continuation of the pandemic, it is not clear what the potential impact may be on the Company's business, financial position and financial performance.

2. Basis of accounting:

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

The consolidated financial statements were authorized for issue by the Board of Directors on January 20, 2021.

3. Functional and presentation currency and basis of measurement:

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

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

- equity classified share-based payment arrangements which are measured at fair value at grant date pursuant to IFRS 2, *Share-based payment;* and
- lease liabilities, which are measured at the present value of minimum lease payments at lease inception.

4. Use of judgements and estimates:

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

Critical estimates:

The following are critical estimates that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Deferred income taxes:

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The Company has determined that it is probable that certain deferred tax assets will be realized in the future (further details are given in note 23).

(ii) Other assets:

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

5. Significant accounting policies:

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

(a) Basis of consolidation:

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

5. Significant accounting policies (continued):

(a) Basis of consolidation:

(i) Subsidiaries: (continued)

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

Subsidiary	Jurisdiction of incorporation	Ownership percentage
GURU Beverage Inc.	Canada	100%
GURU Beverage Co.	United States	100%
GURU Distribution Co. (dissolved in 2019)	United States	100%

(ii) Transactions eliminated on consolidation:

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

(b) Foreign currency translation:

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognized in the consolidated statement of income (loss).

5. Significant accounting policies (continued):

(b) Foreign currency translation (continued):

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

(c) Cash and cash equivalents:

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

(d) Inventories:

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

Management reviews the provision periodically to assess whether, based on economic conditions, it is adequate.

(e) Government grants:

Government grants are recognized only when the Company has reasonable assurance that it meets the conditions and will receive the grants. Government grants related to assets are recognized in the consolidated statement of financial position as a deduction from the carrying amount of the related asset. They are then recognized in profit or loss over the estimated useful life of the depreciable asset that the grants were used to acquire, as a deduction from the depreciation expense.

Government grants related to expenses such the Canadian Emergency Wage Subsidy are recognized in profit or loss as a deduction from the related expenses.

5. Significant accounting policies (continued):

(f) Investment tax credits:

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

The Company can claim SR&ED investment tax credits for expenditures such as wages, materials, machinery, equipment, qualifying overhead, and SR&ED contracts. The SR&ED tax credits are recorded when there is a reasonable assurance that the credits will be realized. The SR&ED tax credits that compensate the Company for expenses incurred are recognized in the consolidated statement of income (loss) and those that compensate for the cost of an asset are recognized against the cost of the asset and recorded in the consolidated statement of income (loss) over the useful life of the asset.

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

(g) Fixed assets:

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

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

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

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

Asset	Method	Rate/period
Furniture and equipment	Declining balance	20%
Computer hardware	Declining balance	30%
Leasehold improvements	Straight-line method	Term of lease

5. Significant accounting policies (continued):

(h) Intangible assets:

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

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

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

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

(i) Impairment of long-lived assets:

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

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

(j) Stock-based compensation:

The Company has a stock-based compensation plan, which is described in note 25. The Company uses the fair value-based method of accounting for employee awards granted under the plan. The Company calculates the fair value of each stock option grant using the Black Scholes Option Pricing model at the grant date. The stock-based compensation cost of the options is recognized as stock-based compensation expense on a graded-vesting basis over the relevant vesting period of the stock options. Modifications to stock options are created as exchanges of the original award for a new award, the difference in value being recognized as an expense on a straight-line basis over the remaining vesting period of the modified stock options.

5. Significant accounting policies (continued):

(j) Stock-based compensation (continued):

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

(k) Revenue from contracts with customers:

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

(l) Income taxes:

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

(i) Current income tax:

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

(ii) Deferred income tax:

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

5. Significant accounting policies (continued):

(l) Income taxes (continued):

(ii) Deferred income tax (continued):

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

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

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

(iii) Sales tax:

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

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

(m) Financial instruments:

(i) Recognition, classification and initial measurement:

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

5. Significant accounting policies (continued):

(m) Financial instruments (continued):

(i) Recognition, classification and initial measurement (continued):

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

(ii) Classification and subsequent measurement:

Financial assets

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

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

Amortised cost

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

Debt investment

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

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

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

5. Significant accounting policies (continued):

(m) Financial instruments (continued):

(ii) Classification and subsequent measurement (continued):

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including interest expenses, are recognized in net income (loss). Any gain or loss on derecognition is also recognized in net income (loss). The Company has not designated any financial liabilities at fair value through profit or loss and does not have any financial liabilities at FVOCI.

(iii) Derecognition:

Financial assets

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

Financial liabilities

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

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

(iv) Offsetting:

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

5. Significant accounting policies (continued):

(m) Financial instruments (continued):

(v) Impairment:

With respect to impairment of financial assets, IFRS 9 *Financial Instruments* requires applying the expected credit losses model. Under the expected credit losses model, the Company must recognize expected credit losses and changes in such losses at each reporting date to reflect changes in credit risk since the initial recognition of the financial assets.

(n) Share capital:

The Company's common shares (in 2019 Class A and Class B shares) are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a reduction of equity, net of tax effects.

(o) Fair value measurement:

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

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

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

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

(p) Provisions:

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

5. Significant accounting policies (continued):

(p) Provisions (continued):

(i) Contingent liability:

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

(q) Leases:

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

(i) Right-of-use asset:

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

The right-of-use assets are subsequently depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method. The lease term includes consideration of an option to renew or to terminate if the Company is reasonably certain to exercise that option. Lease terms, including options to renew for which the Company is reasonably certain to exercise, range from 1 to 7 years for facilities, automotive equipment and other equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(ii) Lease liability:

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

5. Significant accounting policies (continued):

(q) Leases (continued):

(ii) Lease liability (continued):

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

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

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

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

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

(r) Short-term employee benefits:

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

(s) Earnings (loss) per share:

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

(t) Segment reporting:

The Company determined that it operated a single operating segment for the years ended October 31, 2020 and 2019.

6. Standards issued but not yet effective:

A number of new standards are effective for annual periods beginning after November 1, 2020 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Company's consolidated financial statements:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of Material (Amendments to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*).

7. Reverse acquisition of Mira X by 6384269 Canada Inc.:

Through the Amalgamation, as described in Note 1, Mira X acquired legal control of 6384269 Canada Inc. by way of an amalgamation between 6384269 Canada Inc. and Subco, a wholly-owned subsidiary of Mira X. However, as the shareholders of 6384269 Canada Inc. gained voting control of Mira X pursuant to the issuance of Mira X common shares to the shareholders of 6384269 Canada Inc., representing a significant majority interest, 6384269 Canada Inc. is determined to be the accounting acquirer and, consequently, the transaction has been accounted for as a reverse acquisition of Mira X by 6384269 Canada Inc. As Mira X does not meet the definition of a business, the transaction is accounted for as a reverse acquisition of net assets, pursuant to IFRS 2, *Share-based payment*.

The acquisition-date fair value of the consideration transferred by the accounting acquirer, 6384269 Canada Inc., for its interest in the accounting acquiree, Mira X, of $955,500 or 175,321 common shares is determined based on the fair value of the equity interest 6384269 Canada Inc. would have had to give to the owners of Mira X, before the reverse acquisition, to provide the same percentage equity interest in the combined entity that results from the reverse acquisition, and is recorded as an increase in common shares in the consolidated statement of financial position.

As the fair value of Mira X's identifiable net assets at the reverse acquisition date was $100, the excess of consideration transferred over the net assets acquired of $955,400 is reflected as a reverse acquisition of Mira X expense (note 8) in the consolidated statements of income (loss) and comprehensive income (loss).

8. Reverse acquisition of Mira X expenses:

The following table provides a breakdown of expenses incurred in connection with the reverse acquisition of Mira X by 6384269 Canada Inc. for the year ended October 31, 2020:

Consideration transferred for Mira X in excess of net assets acquired (note 7)	$	955,400
Professional fees		1,701,961
Exchange and listing fees		258,890
	$	2,916,251

9. Trade and other receivables:

		2020		2019
Trade receivables	$	2,813,059	$	2,537,114
Other receivables		15,418		69,605
Sales taxes receivables		121,329		–
	$	2,949,806	$	2,606,719

Information about the Group's exposure to credit and market risks, and impairment losses for trade receivables is included in note 26.

10. Inventories:

		2020		2019
Finished goods	$	4,717,223	$	2,288,901
Raw materials		859,310		552,198
Packaging		735,250		107,385
	$	6,311,783	$	2,948,484

The amount of inventory included in cost of goods sold was $7,631,826 for the year ended October 31, 2020 (2019 - $5,755,054).

11. Fixed assets:

	Furniture and equipment	Computer hardware	Leasehold improvements	Total
Cost:				
Balance as at October 31, 2018	$ 178,914	$ 348,058	$ 186,747	$ 713,719
Additions	–	–	–	–
Balance as at October 31, 2019	178,914	348,058	186,747	713,719
Additions	–	–	–	–
Balance as at October 31, 2020	$ 178,914	$ 348,058	$ 186,747	$ 713,719
Accumulated depreciation and amortization:				
Balance as at October 31, 2018	$ 137,927	$ 312,069	$ 109,525	$ 559,521
Depreciation and amortization	8,197	12,786	37,349	58,332
Balance as at October 31, 2019	146,124	324,855	146,874	617,853
Depreciation and amortization	7,759	6,960	37,353	52,072
Balance as at October 31, 2020	$ 153,883	$ 331,815	$ 184,227	$ 669,925
Net carrying amounts:				
Balance as at October 31, 2019	$ 32,790	$ 23,203	$ 39,873	$ 95,866
Balance as at October 31, 2020	25,031	16,243	2,520	43,794

12. Right-of-use assets:

	Building	Automotive equipment	Total
Balance as at October 31, 2018	$ 265,577	$ 119,436	$ 385,013
Additions	–	91,237	91,237
Depreciation	120,424	41,986	162,410
Balance as at October 31, 2019	145,153	168,687	313,840
Additions	–	74,261	74,261
Depreciation	(120,424)	(61,564)	(181,988)
Balance as at October 31, 2020	$ 24,729	$ 181,384	$ 206,113

13. Other assets:

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

Balance as at October 31, 2018	$ 267,020
Additions	157,932
Amortization	(48,793)
Balance as at October 31, 2019	376,159
Additions	40,784
Amortization	(52,910)
Balance as at October 31, 2020	$ 364,033

14. Credit facilities:

The Company has an authorized line of credit of a maximum amount for which limits were increased during the year 2020 from $1,500,000 to $4,500,000 and from US$450,000 to US$1,000,000, 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 in the form of Canadian dollar advances bearing interest at the prime rate (2.45% as at October 31, 2020) plus 1% was not used (2019 - $1,327,000) and the line of credit in the form of American dollar advances bearing interest at the US base rate (3.75% as at October 31, 2020) plus 1% was used for an amount of US$10,000 (CA$13,318) (2019 - nil).

The Company also has an authorized line of credit that can be used in the form of a foreign exchange contracts 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 EUR300,000 (CA$465,492) has been used as of October 31, 2020 (2019 - nil).

The credit facilities noted above and the long-term debt as described in note 16 are secured by the universality of the Company's movable assets, a joint guarantee of the Company 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 certain shareholders for an amount of $646,667, renewable annually. These credit facilities and the long-term debt as described in note 16 are subject to certain conditions; as at October 31, 2020, these conditions were met.

15. Accounts payable and accrued liabilities:

	2020	2019
Accounts payable	$ 3,859,999	$ 1,934,700
Accrued liabilities	2,801,612	709,554
Salaries	683,536	169,111
Sales tax payable	–	51,998
	$ 7,345,147	$ 2,865,363

16. Long-term debt:

	2020	2019
Term loan, 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 annually, maturing in December 2020 (i)	$ 35,000	$ 245,000
Term loan, 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 (i)	240,000	360,000
	275,000	605,000
Current portion of long-term debt	(155,000)	(330,000)
	$ 120,000	$ 275,000

(i) These term loans are secured by the guarantees as stated in note 14.

The adjusted estimated principal instalments payable over the next years, and debts maturing during that period, are as follows:

	Total
Less than 1 year	$ 155,000
Between 1 and 5 years	120,000

17. Lease liabilities:

The following table presents the lease obligations of the Company:

Lease obligations as at October 31, 2018	$	386,009
Additions		68,859
Payment of lease obligations		(175,217)
Interest expense on lease obligations		18,012
Balance as at October 31, 2019		297,663
Additions		65,738
Payment of lease obligations		(191,861)
Interest expense on lease obligations		12,084
Lease obligations as at October 31, 2020	$	183,624

The following table presents the lease obligations of the Company:

		2020		2019
Contractual undiscounted cash flows:				
Less than 1 year	$	88,022	$	178,133
Between 1 and 5 years		103,171		138,385
More than 5 years		5,226		–
Total undiscounted lease liabilities	$	196,419	$	316,518
Lease liabilities included in the statement of financial position	$	183,624	$	297,663
Current		81,586		167,635
Non-current		102,038		130,028

Amounts recognized in consolidated statement of income (loss)		2020		2019
Interest on lease liabilities	$	12,084	$	18,012
Variable lease payments not included in the measurement of lease liabilities		24,800		25,500
Expenses relating to short-term leases		62,341		40,576

No renewal options have been considered in the lease liabilities.

18. Share capital:

The Company is authorized to issue an unlimited number of no par value common shares. In connection and following the Amalgamation, the following common share transactions were undertaken by the Company:

- In August 2020, the Company repurchased 46,184 Class A shares from one of the shareholders for a total amount of $10,000; and
- On October 29, 2020, in connection with the Amalgamation, all outstanding common shares of 6384269 Canada Inc. were exchanged on a one-for-one basis for common shares of the Company.

In connection and prior to the Amalgamation, the following transactions were undertaken by 6384269 Canada Inc.:

- As described in note 1, the Share Split was completed on October 28, 2020 and is reflected retrospectively in these consolidated financial statements.

The fair value of the assumed consideration paid by the Company to Mira X amounts to $955,500, representing the assumed issuance of 175,321 common shares to the existing shareholders of Mira X at the date of the reverse acquisition after considering a consolidation of 1 share for each 83.85 of Mira X and assuming a fair value per share post-consolidation of $5.45, being the price of the common shares in the Private Placement.

On October 29, 2020, in connection with the Amalgamation, 6384269 Canada Inc. issued 6,330,750 common shares in a private placement for gross proceeds of $34,502,587, incurring share issue costs of $2,510,882 before tax of which $493,695 relates to the fair value of 324,799 two-year compensation options granted to the agents to purchase common shares of the Company at a price of $5.45 per common share. The assumptions used to estimate the fair value of the agent compensation options using the Black-Scholes option pricing model are presented in note 25.

	2020	2019
Issued:		
28,907,956 Common shares	$ 36,550,646	$ –
19,419,194 Class A shares	–	1,226,730
3,028,875 Class B shares	–	2,198,846
	$ 36,550,646	$ 3,425,576

19. Earnings per share:

	2020	2019
Net (loss) income	$ (2,156,394)	$ 704,721
Basic weighted average number of common shares	28,907,956	22,448,069
Basic (loss) earnings per share, also being diluted (loss) earnings per share	$ (0.07)	$ 0.03

For the period ended October 31, 2020 and 2019, the diluted earnings per share calculation did not take into consideration the potential dilutive effect of the stock option as it is not dilutive.

20. Revenue and assets by geography:

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

Revenue	2020	2019
Canada	$ 18,233,254	$ 13,229,938
United States	3,867,000	4,269,477
	$ 22,100,254	$ 17,499,415

Non-current assets other than deferred tax assets	2020	2019
Canada	$ 442,480	$ 622,104
United States	210,876	225,268
	$ 653,356	$ 847,372

21. Additional information on consolidated statement of (loss) income :

	2020	2019
Employee benefit expense	$ 4,008,262	$ 2,978,327
Depreciation and amortization	309,061	295,895
Grants recognized as income in selling, general and administrative expenses	172,997	13,067

22. Net financial expenses:

	2020	2019
Interest on long-term debt	$ 25,449	$ 50,970
Interest on line of credit	114,793	75,976
Interest on lease liabilities	12,084	18,012
Bank fees	85,040	48,660
Financing fees	85,161	80,273
Foreign exchange gain	(11,008)	(2,674)
	$ 311,519	$ 271,217

23. Income taxes:

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

	2020	2019
(Loss) income before income taxes	$ (2,194,902)	$ 965,158
Income tax (recovery) expense calculated at the statutory tax rate of 26.52% (2019 - 26.62%) (i)	(582,088)	256,925
Non-deductible items and other	42,330	12,742
Effect of reverse acquisition	253,340	–
Change in unrecognized deductible temporary differences and tax losses	230,963	–
Reduction for small business rate	–	(60,836)
Effect of foreign tax differences	(3,332)	(4,856)
Difference between statutory tax rate and deferred tax rate	231	2,827
Impact of tax rate changes	–	30,732
Tax adjustment related to previous years	20,048	22,903
Income taxes (recovery) expense	$ (38,508)	$ 260,437

23. Income taxes (continued):

(i) The Company's applicable tax rate corresponds to the combined Canadian tax rates applicable in the provinces where the Company operates. The decrease is due to the reduction of the Quebec income tax rate.

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

	2020	2019
Current tax expense:		
Current year	$ 45,844	$ 149,995
Tax adjustment related to previous years	(23,319)	5,011
	22,525	155,006
Deferred tax expense:		
Origination and reversal of temporary differences	(335,363)	56,807
Impact of tax rate change	–	30,732
Tax adjustment related to previous years	43,367	17,892
Change in unrecognized deductible temporary differences and tax losses	230,963	–
	(61,033)	105,431
Income taxes (recovery) expense	$ (38,508)	$ 260,437

Recognized deferred tax assets and liabilities:

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

2020	Opening balance	Recognized in net income (loss)	Recognized in equity	Effects of fluctuations in exchange rates	Closing balance
Non-capital loss carryforwards	$ 727,724	$ 92,361	$ –	$ 5,245	$ 825,330
Right-of-use assets	(90,501)	51,440	–	(171)	(39,232)
Fixed assets and intangible assets	27,279	22,862	–	–	50,141
Lease liabilities	99,359	(64,481)	–	263	35,141
Other assets	(99,960)	5,732	–	39	(94,189)
Financing fees	875	(37,322)	182,233	–	145,786
Investment tax credits	(13,250)	(12,350)	–	–	(25,600)
Reserve	–	2,791	–	(28)	2,763
Deferred income tax assets	$ 651,526	$ 61,033	$ 182,233	$ 5,348	$ 900,140

23. Income taxes (continued):

					2019
	Opening balance	Recognized in net income (loss)	Recognized in equity	Effects of fluctuations in exchange rates	Closing balance
Non-capital loss carryforwards	$ 789,703	$ (61,979)	$ –	$ –	$ 727,724
Right-of-use assets	(85,803)	(4,698)	–	–	(90,501)
Fixed assets and intangible assets	23,217	4,062	–	–	27,279
Lease liabilities	91,111	8,248	–	–	99,359
Other assets	(45,394)	(54,566)	–	–	(99,960)
Financing fees	1,123	(248)	–	–	875
Investment tax credits	(17,000)	3,750	–	–	(13,250)
Deferred income tax assets (liabilities)	$ 756,957	$ (105,431)	$ –	$ –	$ 651,526

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

	October 31, 2020		October 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Non-capital loss carryforwards	$ 825,330	$ –	$ 727,724	$ –
Right-of-use assets	–	39,232	–	90,501
Fixed assets and intangible assets	50,141	–	27,279	–
Lease liabilities	35,141	–	99,359	–
Other assets	–	94,189	–	99,960
Financing fees	145,786	–	875	–
Investment tax credits	–	25,600	–	13,250
Reserve	2,763	–	–	–
	1,059,161	159,021	855,237	203,711
Offsetting of assets and liabilities	(65,538)	(65,538)	(121,272)	(121,272)
	$ 993,623	$ 93,483	$ 733,965	$ 82,439

23. Income taxes (continued):

(a) Unused tax losses:

The Company has recognized federal non-capital losses carried forward in the amount of $3,418,564 (2019 - $2,983,459) These losses expire in the following years:

Year	2020	2019
2027	$ 19,243	$ 19,243
2028	628,583	664,675
2029	1,233,104	1,218,846
2030	284,497	281,277
2031	254,795	251,856
2032	78,606	77,701
2033	368	368
2034	369	369
2035	10,231	10,231
2036	15,388	15,388
2037	6,636	6,636
2038	391,287	431,622
2039	5,247	5,247
2040 (i)	490,210	–
	$ 3,418,564	$ 2,983,459

(i) These tax losses are incurred in Canada.

Certain deferred tax assets have not been recognized because it is not probable that future taxable profit will be available against which the Company can utilise the benefits therefrom. As at October 31, 2020, the amounts and expiry dates of tax attributes and temporary differences for which no tax assets have been recognized, which are available to reduce future years' taxable income were as follows:

Tax losses carried forward:	
2040	$ 947,826
Fixed assets and intangible assets, without time limitation	189,672
Financing fees, without time limitation	1,063,613

23. Income taxes (continued):

As at October 31, 2019 and 2020, no deferred tax liability was recognized for temporary differences arising from investments in subsidiaries because the Company controls the decisions affecting the realization of such liabilities and it is probable that the temporary differences will not reverse in the foreseeable future.

24. Additional cash flow information:

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

	2020	2019
Trade and other receivables	$ (336,002)	$ (1,004,643)
Income taxes receivable	7,030	–
Inventories	(3,359,026)	(1,164,096)
Prepaid expenses	(163,657)	169,874
Refundable investment tax credits	74,625	–
Accounts payable and accrued liabilities	4,455,457	1,803,049
Income taxes payable	(172,280)	(22,198)
	$ 506,147	$ (218,014)

25. Stock option plan:

The Company may grant its key employees, directors and consultants options to purchase common shares. The stock option plan (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 - 2,191,183). The number of options below reflects the Stock Split described in note 1. Changes in the number of outstanding options related to the Plan were as follows:

	Number	Weighted average exercise price
Options outstanding as at October 31, 2018	–	$ –
Options granted	53,624	2.39
Options outstanding as at October 31, 2019	53,624	2.39
Options granted	156,547	2.45
Compensation options granted to agents (note 18)	324,799	5.45
Options outstanding as at October 31, 2020	534,970	$ 4.27

The following table summarizes information about stock options outstanding as at October 31, 2020:

			Outstanding options	Vested options
Year granted	Weighted average exercise price	Number outstanding	Weighted average remaining contractual life (years)	Number exercisable
2019	$ 2.39	53,624	8	53,624
2020	4.47	481,346	4	324,799
		534,970		378,423

25. Stock option plan (continued):

During the year ended October 31, 2020, stock-based compensation expense recorded in the consolidated statement of income (loss) for options granted amounted to $85,987 (2019 - $60,000).

The fair value of the options granted during the years ended October 31, 2020 and 2019 was calculated using the Black-Scholes option model with the following assumptions and results:

	2020	2020 [(i)]	2019
Weighted average fair value of options at grant date	$ 1.01	$ 1.52	$ 1.12
Weighted average share price	2.45	5.45	2.39
Risk-free interest rate	1.65%	0.26%	1.65%
Dividend yield	–	–	–
Expected volatility	35%	50%	35%
Expected life	9 years	2 years	10 years

[(i)] These inputs relate to compensation options issued as described in note 18.

The risk-free interest rate is based on the yield of a risk-free Canadian government security with a maturity equal to the expected life of the option from the date of the grant. The assumption of expected volatility is based on the average historical volatility of comparable companies for the period immediately preceding the option grant. The Company does not anticipate paying any cash dividends in the foreseeable future and, therefore, uses an expected dividend yield of zero in the option-pricing model.

26. 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.

26. Financial instruments (continued):

Financial risks (continued):

(a) Liquidity risk (continued):

The following are the contractual maturities of financial obligations:

As at October 31, 2020	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
Credit facilities	$ 13,318	$ 13,318	$ 13,318	$ –	$ –
Trade and other payables	7,345,147	7,345,147	7,345,147	–	–
Lease liabilities, including current portion [i]	183,624	196,419	88,022	103,171	5,226
Long-term debt, including current portion [i] [ii]	275,000	287,571	164,363	123,208	–

As at October 31, 2019	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
Credit facilities	$ 1,327,000	$ 1,327,000	$ 1,327,000	$ –	$ –
Trade and other payables	2,865,263	2,865,263	2,865,263	–	–
Lease liabilities, including current portion [i]	297,663	316,518	178,133	138,385	–
Long-term debt, including current portion [i] [ii]	605,000	650,703	359,323	291,380	–

[i] Contractual cash flows include principal and interest.

[ii] As at October 31, 2020, an interest rate of 4.95% (2019 - 6.45%) was used to determine the estimated interest payments on the Company's long-term debt.

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.

26. Financial instruments (continued):

Financial risks (continued):

(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 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, 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.

The maximum exposure to credit risk by geographic region at the reporting date was $2,108,030 for Canada and $705,029 for United States (2019 - $1,944,298 for Canada and $592,816 for United States).

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

	2020	2019
0-30 days	$ 2,526,662	$ 1,879,755
30-60 days	94,669	508,120
60-90 days	105,931	143,439
over 90 days	85,797	5,800
	$ 2,813,059	$ 2,537,114

Management assesses each of the aged invoices by customer which exceed their credit terms and apply management judgements in determining the basis and amount of provision required. The movement in the provision for impairment of trade and other receivables during the year is not significant.

The carrying amount of financial assets, net of any impairment provisions, represents the Company’s maximum credit exposure.

26. Financial instruments (continued):

Financial risks (continued):

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

	2020	2019
	USD	USD
Cash and cash equivalents	$ 9,942	$ 1,994
Bank overdraft	(43,629)	–
Credit facility	(10,000)	–
Accounts payable and accrued liabilities	532,021	310,353

	2020	2019
	EUR	EUR
Accounts payable and accrued liabilities	416,075	–

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 (loss) income and comprehensive (loss) income for the years ended October 31, 2020 and 2019.

(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 is exposed to interest rate risk due to fluctuations in the bank's prime rate during the year.

(i) 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 on the Company’s consolidated statement of (loss) income and comprehensive (loss) income for the years ended October 31, 2020 and 2019.

26. Financial instruments (continued):

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.

The Company determined that the fair value of its long-term debt approximates its carrying amount as it bears interest at market interest rates for financial instruments with similar terms and risks.

For the year ended October 31, 2020, no financial instruments were recorded at fair value and transferred between levels 1, 2 and 3.

27. Key management personnel:

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

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

	2020	2019
Short-term employee benefits (includes directors' fees) [i]	$ 1,062,991	$ 631,740
Stock-based compensation costs	31,250	–

[i] Includes $209,989 of management fees (2019 - $233,553) charged by an entity owned by a key management personnel.

28. Subsequent events:

(a) Exercise of compensation options:

In November 2020, the Private Placement agents and brokers partially exercised their options and, as a result, 140,600 options were exercised at the exercise price of $5.45 per common share for total gross proceeds of $766,270.

(b) Lease of head office:

In November 2020, the Company had signed a lease for its head office which consists of minimum lease payments of $2,114,195 over 7 years.