

Interim Condensed Consolidated Financial Statements of

**GURU ORGANIC ENERGY CORP.**

Three-month and nine-month periods ended July 31, 2023 and 2022

# GURU ORGANIC ENERGY CORP.

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# GURU ORGANIC ENERGY CORP.

Interim Condensed Consolidated Statements of Financial Position

As at July 31, 2023 and October 31, 2022

	July 31, 2023	October 31, 2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 38,650,769	\$ 25,491,029
Short-term investments	–	20,800,000
Trade and other receivables	5,580,123	4,995,156
Income taxes receivable	6,511	5,830
Refundable investment tax credits	66,549	50,000
Inventories	5,275,774	8,518,260
Prepaid expenses	1,050,223	198,795
	<u>50,629,949</u>	<u>60,059,070</u>
Deposits on fixed assets	–	679,271
Fixed assets	1,622,180	1,329,356
Intangible assets	14,969	19,314
Right-of-use assets	1,591,154	1,918,887
Other assets	529,391	708,667
Long-term deposit	48,250	49,250
Deferred tax assets	532,917	584,901
	<u>\$ 54,968,810</u>	<u>\$ 65,348,716</u>

## Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 7,131,689	\$ 8,213,436
Current portion of lease liabilities	400,480	407,326
Income taxes payable	43,723	43,723
	<u>7,575,892</u>	<u>8,664,485</u>
Lease liabilities	1,282,618	1,579,413
Stock warrant obligations (note 16)	19,702	19,817
	<u>8,878,212</u>	<u>10,263,715</u>
Shareholders' equity:		
Share capital (note 8)	84,197,996	85,374,502
Contributed surplus	1,431,843	826,828
Deficit	(39,507,431)	(31,162,456)
Accumulated other comprehensive (loss) income	(31,810)	46,127
	<u>46,090,598</u>	<u>55,085,001</u>
	<u>\$ 54,968,810</u>	<u>\$ 65,348,716</u>

See accompanying notes to interim condensed consolidated financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# GURU ORGANIC ENERGY CORP.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

Three-month and nine-month periods ended July 31, 2023 and 2022

	Three-month periods ended		Nine-month periods ended	
	July 31, 2023	July 31, 2022	July 31, 2023	July 31, 2022
Net revenue (note 10)	\$ 8,877,877	\$ 7,730,012	\$ 21,601,757	\$ 22,298,566
Cost of goods sold	4,333,110	3,492,036	10,270,376	10,138,034
Gross profit	4,544,767	4,237,976	11,331,381	12,160,532
Selling, general and administration expenses (note 11)	8,049,774	11,045,352	20,834,958	26,318,879
Net financial income (note 13)	(511,730)	(293,997)	(1,259,274)	(521,234)
	7,538,044	10,751,355	19,575,684	25,797,645
Loss before income taxes	(2,993,277)	(6,513,379)	(8,244,303)	(13,637,113)
Income taxes:				
Current	–	6,405	90	6,405
Deferred	13,231	10,839	31,823	50,227
	13,231	17,244	31,913	56,632
Net loss	(3,006,508)	(6,530,623)	(8,276,216)	(13,693,745)
Other comprehensive income (loss):				
Item that may be reclassified subsequently to consolidated statements of loss:				
Foreign operations - foreign currency translation differences	(67,607)	5,589	(77,937)	103,046
Total comprehensive loss	\$ (3,074,115)	\$ (6,525,034)	\$ (8,354,153)	\$ (13,590,699)
Basic and diluted loss per share (note 9)	\$ (0.09)	\$ (0.20)	\$ (0.26)	\$ (0.42)

See accompanying notes to interim condensed consolidated financial statements.

# GURU ORGANIC ENERGY CORP.

Interim Condensed Consolidated Statements of Changes in Equity

Nine-month periods ended July 31, 2023 and 2022

	Share capital			Contributed surplus	Accumulated other comprehensive income (loss) - foreign currency translation		Total
	Number	Amount			Deficit		
Balance as of October 31, 2022	32,212,458	\$ 85,374,502	\$ 826,828	\$ (31,162,456)	\$ 46,127	\$ 55,085,001	
Net loss	-	-	-	(8,276,216)	-	(8,276,216)	
Stock options exercised (note 15)	1,669	5,858	(1,870)	-	-	3,988	
Stock-based compensation expense (note 15)	-	-	583,601	-	-	583,601	
Incentive payments settled through issuance of stock options and RSUs (note 15)	-	-	23,284	-	-	23,284	
Share buy-back (note 8)	(444,445)	(1,182,364)	-	(68,759)	-	(1,251,123)	
Foreign operations foreign currency translation differences	-	-	-	-	(77,937)	(77,937)	
<b>Balance as of July 31, 2023</b>	<b>31,769,682</b>	<b>\$ 84,197,996</b>	<b>\$ 1,431,843</b>	<b>\$ (39,507,431)</b>	<b>\$ (31,810)</b>	<b>\$ 46,090,598</b>	
Balance as of October 31, 2021	32,335,410	\$ 85,568,694	\$ 595,600	\$ (13,413,548)	\$ (205,529)	\$ 72,545,217	
Net loss	-	-	-	(13,693,745)	-	(13,693,745)	
Stock options exercised (note 15)	5,716	20,063	(6,182)	-	-	13,881	
Stock-based compensation expense (note 15)	-	-	260,913	-	-	260,913	
Incentive payments settled through issuance of stock options and RSUs (note 15)	-	-	61,899	-	-	61,899	
Share buy-back (note 8)	(8,460)	(22,473)	-	(45,315)	-	(67,788)	
Foreign operations foreign currency translation differences	-	-	-	-	103,046	103,046	
<b>Balance as of July 31, 2022</b>	<b>32,332,666</b>	<b>\$ 85,566,284</b>	<b>\$ 912,230</b>	<b>\$ (27,152,608)</b>	<b>\$ (102,483)</b>	<b>\$ 59,223,423</b>	

See accompanying notes to interim condensed consolidated financial statements.

# GURU ORGANIC ENERGY CORP.

Interim Condensed Consolidated Statements of Cash Flows

Nine-month periods ended July 31, 2023 and 2022

	Nine-month periods ended	
	July 31, 2023	July 31, 2022
Cash provided by (used in):		
Operating:		
Net loss	\$ (8,276,216)	\$ (13,693,745)
Adjustments for:		
Depreciation and amortization (note 12)	857,099	642,513
Income tax expense	31,913	56,632
Net financial income	(1,301,730)	(578,887)
Stock-based compensation expense (note 15)	583,601	260,913
Write-off of other assets	10,000	-
Gain on disposal of fixed assets	(1,224)	-
Net change in non-cash operating working capital (note 14)	1,797,532	(4,986,477)
	(6,299,025)	(18,299,051)
Financing:		
Share buy-back	(1,252,831)	(23,108)
Share issuance from exercise of stock options	3,988	13,881
Interest and financing fees paid	(45,888)	(58,983)
Payment of lease obligation	(302,990)	(284,655)
	(1,597,721)	(352,865)
Investing:		
Decrease (increase) in short-term investments	20,800,000	(20,800,000)
Additions to fixed assets	(77,880)	(556,311)
Interest income received	252,901	248,358
Reimbursement of long-term deposit	1,000	-
Proceeds from disposal of fixed assets	100,000	-
	21,076,021	(21,107,953)
Effect of movements in exchange rate on cash held	(19,535)	17,706
Increase (decrease) in cash and cash equivalents	13,159,740	(39,742,163)
Cash and cash equivalents, beginning of period	25,491,029	66,953,636
Cash and cash equivalents, end of period	\$ 38,650,769	\$ 27,211,473

See accompanying notes to interim condensed consolidated financial statements.

# GURU ORGANIC ENERGY CORP.

Notes to Interim Condensed Consolidated Financial Statements

Three-month and nine-month periods ended July 31, 2023 and 2022

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## 1. Reporting entity:

GURU Organic Energy Corp. (the "Company" or "GURU") was incorporated under the *Canada Business Corporations Act* and is listed on the Toronto Stock Exchange ("TSX"). The Company is domiciled in Montréal, Quebec, Canada, where its administrative offices are located. These interim condensed consolidated financial statements comprise the Company and its wholly-owned subsidiaries, GURU Beverage Inc. and GURU Beverage Co. (together, the "Group"). The Group produces, markets and distributes energy drinks for sale in the Canadian and U.S. markets.

## 2. Basis of accounting:

These interim condensed consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). These interim condensed consolidated financial statements do not include all of the disclosures required for annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended October 31, 2022.

The interim condensed consolidated financial statements of the Company for the three-month and nine-month periods ended on July 31, 2023 and 2022 were authorized by the Board of Directors (the "Board") for issuance on September 13, 2023.

### (a) Operating segment:

The Company determined that it operated in a single operating segment, the distribution of energy drinks.

### (b) Seasonality of interim operations:

In Canada, GURU's sales are somewhat seasonal, tending to be higher in the spring through the fall, from the middle of the second quarter through the end of the fourth quarter, and somewhat lower in winter, from the start of the first quarter through the middle of the second quarter. In contrast, the U.S. market, with its overall warmer climate, generally does not see the same type of seasonal sales trend.

## 3. Functional and presentation currency and basis of measurement:

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

# GURU ORGANIC ENERGY CORP.

Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2023 and 2022

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### 3. Functional and presentation currency and basis of measurement (continued):

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

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

### 4. Use of judgments and estimates:

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

The Company's main judgments, estimates, and assumptions are the same as those applied and described in the Company's audited consolidated financial statements for the year ended October 31, 2022.

### 5. Significant accounting policies:

Significant accounting policies applied in these interim condensed consolidated financial statements are the same as those applied to the Company's annual audited consolidated financial statements for the year ended October 31, 2022.

# GURU ORGANIC ENERGY CORP.

Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2023 and 2022

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## 6. Standards issued but not yet effective:

The IASB issued the amendments below on different standards. For the Company, the amendments are effective for the fiscal period beginning on November 1, 2023 and are to be applied retrospectively. Earlier application is permitted. However, the Company has not early-adopted these new or amended standards. The following amended standards and interpretations are not expected to have a significant impact on the Company's consolidated financial statements:

- *Classification of liabilities as current or non-current* (Amendments to IAS 1);
- *Disclosure of accounting policy* (Amendments to IAS 1);
- *Definition of accounting estimates* (Amendments to IAS 8).

## 7. Credit facilities:

The Company has a committed revolving operating credit facility to a maximum authorized amount of CAD 10,000,000, the maturity of which was extended for an additional year during the second quarter from March 30, 2024 to March 30, 2025. The operating credit facility can be used in the form of Canadian dollar loans bearing interest at the prime rate plus 0.50%, Canadian dollar bankers' acceptances bearing interest at 1.75%, American dollar loans bearing interest at the US base rate plus 0.50% or American dollar LIBOR loans bearing interest at the LIBOR rate plus 1.75%. As at July 31, 2023, the credit facilities were unused.

The Company also has an uncommitted credit that can be used in the form of foreign exchange contracts or interest rate swaps for a maximum amount of USD 500,000. This credit facility was unused as at July 31, 2023 (October 31, 2022 - nil).

The Company has a letter of credit for a maximum available of \$2,500,000, of which an amount of EUR 600,000 (CA\$871,020) has been used as of July 31, 2023 (October 31, 2022 - EUR 600,000 (CA\$810,120)).

The credit facilities noted above are secured by a movable hypothec on the universality of the Company's present and future assets located in the province of Quebec to a maximum of \$25,000,000, a first-ranking security on all present and future property in all other Canadian provinces and in the United States, and an unlimited corporate guarantee of its US subsidiary. These credit facilities are subject to certain financial covenants which were met as at July 31, 2023.

# GURU ORGANIC ENERGY CORP.

Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2023 and 2022

## 8. Share capital:

	2023	2022
Issued:		
31,769,682 (2022 - 32,212,458)	\$ 84,197,996	\$ 85,374,502

As of July 20, 2022, the Company received authorization to repurchase for cancellation up to 500,000 common shares (representing approximately 1.5% of the Company's outstanding shares as at July 14, 2022) between July 25, 2022 and July 24, 2023. This authorization was renewed for another year, from July 25, 2023 to July 24, 2024, whereby the Company has been authorized to repurchase for cancellation up to 1,593,560 common shares (representing approximately 5% of the Company's outstanding shares as at July 17, 2023). Repurchases are made in the normal course of business at market prices through the facilities of the Toronto Stock Exchange ("TSX") and/or through alternative Canadian trading systems, in compliance with the rules and policies of the TSX and applicable exemptions from Canadian securities laws.

For the period ended July 31, 2023, the Company has repurchased and cancelled 444,445 common shares at a weighted average price of approximately \$2.81 per share, for a total cash consideration of \$1,251,123, for which an amount of \$8,021 remains unpaid as at July 31, 2023 (\$9,227 as at July 31, 2022). The excess of the total consideration over the carrying amount of the shares, amounting to \$68,759, was recorded in deficit for the nine-month period ended July 31, 2023.

## 9. Loss per share:

	Three-month periods ended		Nine-month periods ended	
	July 31, 2023	July 31, 2022	July 31, 2023	July 31, 2022
Net loss	\$ (3,006,508)	\$ (6,530,623)	\$ (8,276,216)	\$ (13,693,745)
Basic weighted average number of common shares	31,890,790	32,339,984	32,075,302	32,339,314
Basic loss per share, also being diluted loss per share	\$ (0.09)	\$ (0.20)	\$ (0.26)	\$ (0.42)

# GURU ORGANIC ENERGY CORP.

Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2023 and 2022

## 9. Loss per share (continued):

For the three-month and nine-month periods ended July 31, 2023 and 2022, the diluted earnings per share calculation did not take into consideration the potential dilutive effect of the stock options, RSUs and DSUs (note 14) as they are anti-dilutive.

## 10. Net revenue and assets by geography:

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

	Three-month periods ended		Nine-month periods ended	
	July 31, 2023	July 31, 2022	July 31, 2023	July 31, 2022
Revenue:				
Canada	\$ 7,492,995	\$ 6,727,361	\$ 18,324,807	\$ 17,939,665
United States	1,384,882	1,002,651	3,276,950	4,358,901
	<u>\$ 8,877,877</u>	<u>\$ 7,730,012</u>	<u>\$ 21,601,757</u>	<u>\$ 22,298,566</u>

	As at July 31, 2023	As at October 31, 2022
Non-current assets other than deferred tax assets:		
Canada	\$ 3,684,244	\$ 4,442,791
United States	121,700	261,954
	<u>\$ 3,805,944</u>	<u>\$ 4,704,745</u>

## 11. Selling, general and administration expenses:

	Three-month periods ended		Nine-month periods ended	
	July 31, 2023	July 31, 2022	July 31, 2023	July 31, 2022
Selling and marketing	\$ 5,681,853	\$ 8,548,764	\$ 13,273,882	\$ 18,172,468
General and administration expenses	2,367,921	2,496,588	7,561,076	8,146,411
	<u>\$ 8,049,774</u>	<u>\$ 11,045,352</u>	<u>\$ 20,834,958</u>	<u>\$ 26,318,879</u>

# GURU ORGANIC ENERGY CORP.

Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2023 and 2022

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

	Three-month periods ended		Nine-month periods ended	
	July 31, 2023	July 31, 2022	July 31, 2023	July 31, 2022
Employee total compensation expense	\$ 1,724,812	\$ 2,172,946	\$ 5,948,392	\$ 6,361,912
Depreciation and amortization	312,019	233,136	857,099	642,513

## 13. Net financial income:

	Three-month periods ended		Nine-month periods ended	
	July 31, 2023	July 31, 2022	July 31, 2023	July 31, 2022
Interest expense on lease liabilities	\$ 14,378	\$ 18,372	\$ 45,888	\$ 51,588
Bank and financing fees	7,859	14,922	42,456	65,049
Foreign exchange loss (gain)	2,383	13,260	31,444	(13,390)
Interest revenue	(534,293)	(279,562)	(1,378,947)	(500,733)
Net change in fair value of stock warrant obligations	(2,057)	(60,989)	(115)	(123,748)
	\$ (511,730)	\$ (293,997)	\$ (1,259,274)	\$ (521,234)

## 14. Additional cash flow information:

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

	Nine-month periods ended	
	July 31, 2023	July 31, 2022
Trade and other receivables	\$ (601,765)	\$ (1,214,342)
Income taxes receivable	(901)	202,692
Refundable investment tax credits	(16,549)	12,500
Inventories	3,192,065	(2,142,618)
Prepaid expenses	(852,152)	(554,918)
Accounts payable and accrued liabilities	76,834	(1,288,124)
Income taxes payable	–	(1,667)
	\$ 1,797,532	\$ (4,986,477)

# GURU ORGANIC ENERGY CORP.

Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2023 and 2022

## 14. Additional cash flow information (continued):

During the nine-month period ended July 31, 2023, an amount of \$679,271 of deposits on fixed assets was reclassified in fixed assets as the Company received the assets for which the deposits were made.

## 15. Stock-based incentive plan:

The Company may grant its key employees, directors and consultants stock options to purchase common shares, restricted share units ("RSUs") and deferred share units ("DSUs"). The omnibus incentive plan (the "Plan") provides for the granting of options to purchase common shares, RSUs and DSUs where at any given time the number of stock options, RSUs and DSUs reserved for issuance should not exceed 10% of the Company's issued and outstanding common shares. Under the Plan, options generally vest over a period of four years and expire ten years from the grant date, RSUs generally vest over a period of three years, and DSUs are fully vested when granted.

As at July 31, 2023, 2,479,166 stock options, RSUs, and DSUs (October 31, 2022 - 2,964,733) were available for issuance. Changes in the number of outstanding options, RSUs and DSUs related to the Plan were as follows:

	Options <sup>(i)</sup>		RSU <sup>(i)</sup>	DSU
	Number	Weighted average exercise price	Number	Number
Outstanding as at October 31, 2022	215,640	\$ 4.99	7,599	33,273
Granted	280,341	3.18	142,694	47,193
Exercised	(1,669)	2.39	–	–
Forfeited	(20,797)	6.93	(6,472)	–
Outstanding as at July 31, 2023	473,515	\$ 3.85	143,821	80,466
Exercisable as at July 31, 2023	170,565	\$ 3.47	5,901	–

# GURU ORGANIC ENERGY CORP.

Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2023 and 2022

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## 15. Stock-based incentive plan (continued):

- (i) During the nine-month period ended July 31, 2023, the Company announced a new incentive arrangement for employees based on the attainment of a non-market performance condition by the Company by the end of fiscal 2024. The arrangement will be settled through the issuance of either RSUs or stock options, at the employee's choice, if and when the performance condition is attained (the "conditional equity-settled instruments"). Any instruments issued to employees will then vest in accordance with the terms of the Plan. As at July 31, 2023, based on the number of employees and the Company's share price at that date, the number of conditional equity-settled instruments issuable for the arrangement was either a maximum of 814,065 stock options or 552,067 RSUs, or a combination thereof.

During the nine-month period ended July 31, 2023, the Company also entered into a new incentive arrangement for one of its executives based on the attainment of a non-market performance conditions by the Company. The arrangement will be settled through the issuance of stock options, if and when the performance conditions are attained. Instruments issued to the executive will then vest, in part, immediately, and others in accordance with the terms of the Plan. As at July 31, 2023, based the Company's share price at that date, the number of conditional equity-settled instruments issuable for this arrangement was a maximum of 170,000 stock options.

During the three-month period ended July 31, 2023, stock-based compensation expense recorded in the interim condensed consolidated statements of loss and comprehensive loss amounted to \$212,629 (2022 - \$20,293) for options granted, \$55,587 for RSUs (2022 - \$384), \$42,501 for DSUs (2022 - \$60,008) as well as a net reversal of \$127,922 for conditional equity-settled instruments as most of the conditions for attainment were no longer probable (2022 - nil).

During the nine-month period ended July 31, 2023, stock-based compensation expense amounted to \$285,025 (2022 - \$80,345) for options granted, \$107,126 for RSUs (2022 - \$542); \$127,499 for DSUs (2022 - \$180,026) as well as \$63,951 for the conditional equity-settled instruments (2022 - nil).

In addition, during the nine-month period ended July 31, 2023, the Company issued 4,361 stock options and 7,748 RSUs in order to settle incentives due to employees in the amount of \$23,284. As a result, an amount of \$23,284 was transferred from accounts payable and accrued liabilities to contributed surplus in connection with this transaction (nine-month period ended July 31, 2022 - the Company issued 3,653 stock options and 2,473 RSUs in order to settle incentives due to employees in the amount of \$61,899. As a result, an amount of \$61,899 was transferred from accounts payable and accrued liabilities to contributed surplus in connection with this transaction.).

# GURU ORGANIC ENERGY CORP.

Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2023 and 2022

## 15. Stock-based incentive plan (continued):

(i) (continued):

The fair value of the options granted during the three-month and nine-month periods ended July 31, 2023 was calculated using the Black-Scholes option model with the following assumptions and results:

	Three-month periods ended July 31, 2023	Nine-month periods ended July 31, 2023
Weighted average fair value of options at grant date	\$ 1.77	\$ 2.09
Weighted average share price	2.68	3.07
Weighted average exercise price	2.68	3.07
Risk-free interest rate	3.55%	2.91%
Dividend yield	—	—
Expected volatility	52%	53%
Expected life	10 years	10 years

  

	Three-month periods ended July 31, 2022	Nine-month periods ended July 31, 2022
Weighted average fair value of options at grant date	\$ 5.03	\$ 7.46
Weighted average share price	7.86	11.94
Weighted average exercise price	8.03	12.15
Risk-free interest rate	2.63%	2.03%
Dividend yield	—	—
Expected volatility	50%	50%
Expected life	10 years	10 years

## 16. Financial instruments:

### Financial risks:

#### (a) Liquidity risk:

Liquidity risk refers to the Company's ability to meet its financial obligations when they come due. The Company is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. The Company manages liquidity risk by continuously monitoring forecasted and actual cash flows and matching maturity profiles of financial assets and liabilities.

# GURU ORGANIC ENERGY CORP.

Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2023 and 2022

## 16. Financial instruments (continued):

### Financial risks (continued):

#### (a) Liquidity risk (continued):

The Company holds cash equivalents bearing interest at rates between 5.75% and 5.95% with major North American financial institutions.

The Company's objective is to maintain a balance between continuity of funding and flexibility through borrowing facilities available through the Company's bank and other lenders. The Company's policy is to ensure adequate funding is available from operations and other sources as required.

The following are the contractual maturities of financial obligations:

As at July 31, 2023	Carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Accounts payable and accrued liabilities	\$ 7,131,689	\$ 7,131,689	\$ 7,131,689	\$ –	\$ –
Lease liabilities, including current portion <sup>(i)</sup>	1,683,098	1,774,513	449,080	1,325,433	–

The following are the contractual maturities of financial obligations:

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

<sup>(i)</sup> Contractual cash flows include principal and interest.

### *Capital management*

The Company's capital is composed of shareholders' equity. 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.

# GURU ORGANIC ENERGY CORP.

Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2023 and 2022

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## 16. Financial instruments:

### Financial risks (continued):

#### (a) Liquidity risk (continued):

##### *Capital management (continued)*

To fund its activities, the Company has relied on private and public financing. The Company manages its excess cash to ensure that it has sufficient reserves to fund its operations and capital expenditures.

The Company is not subject to any capital requirements imposed by a regulator.

#### (b) Credit risk:

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

The Company provides credit to its clients in the normal course of its operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for contingent credit losses which, once they materialize, are consistent with management's forecasts. However, the Company deals with a majority of well-established banners and distributors, thus reducing its credit risk. As of the current balance sheet date, 93% (October 31, 2022 - 89%) of accounts receivable are concentrated with two (October 31, 2022 - two) clients who represent together 76% and 75% of the three-month and nine-month periods' net revenue, respectively (October 31, 2022 - 66%). The Company does not normally require a guarantee.

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

#### (c) Currency risk:

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company realizes sales and purchases in foreign currency. Consequently, some assets and liabilities are exposed to foreign exchange fluctuations. At period-end, the Company's exposure to net monetary assets denominated in foreign currencies was not significant to the Company's financial position.

#### (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. At period-end, the facility was unused.

# GURU ORGANIC ENERGY CORP.

Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2023 and 2022

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## 16. Financial instruments (continued):

### Fair value measurement

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

For the three-month and nine-month periods ended July 31, 2023, no financial instruments recorded at fair value were transferred between Levels 1, 2 and 3.

The warrants were classified as Level 3 derivative liabilities that are valued using unobservable inputs to the valuation methodology which are significant to the measurement of the fair value. Level 3 financial liabilities consist of the derivative liabilities for which there is no current market for these securities such that the determination of fair value requires significant judgment or estimation. Changes in fair value measurements categorized within Level 3 of the fair value hierarchy are analyzed each period based on changes in estimates or assumptions and recorded as appropriate.

### *PepsiCo warrants*

On June 14, 2021, the Company entered into an agreement with PepsiCo under which PepsiCo became, effective October 4, 2021, the exclusive national Canadian distributor for the Company's plant-based energy drinks in the retail and food service channels. In connection with this agreement, the Company granted PepsiCo 1,650,000 warrants to purchase common shares, at an exercise price of \$16.69 per share. The warrants were granted in three equal tranches, with each tranche vesting upon the Company realizing specific sales volume targets in Canada, and the exercise of such warrants being conditional on a change of control announcement. The warrants expire on June 14, 2031.

None of these warrants are exercisable as of the date of issuance of these financial statements.

# GURU ORGANIC ENERGY CORP.

Notes to Interim Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended July 31, 2023 and 2022

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## 16. Financial instruments (continued):

### Fair value measurement (continued):

#### *PepsiCo warrants (continued)*

The fair value of the stock warrant obligations was revalued as at July 31, 2023 using the same pricing model, and the variations in fair value of \$2,057 and \$115 were reflected in net financial (income) expense in the consolidated statements of loss and comprehensive loss for the three-month and nine-month periods ended July 31, 2023 (\$60,989 and \$123,748 for the three-month and nine-month periods ended July 31, 2022), respectively. The stock warrant obligation as of July 31, 2023 amounted to \$19,702 (October 31, 2022 - \$19,817). The following assumptions were used:

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	July 31, 2023	October 31, 2022
Weighted average measurement date share price	\$ 2.53	\$ 3.62
Weighted average exercise price	16.69	16.69
Risk-free interest rate	3.615%	3.26%
Expected volatility	52%	50%
Expected weighted average term	3-9 years	3-9 years

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The estimated fair value was adjusted for the probability of a change in control announcement, which was assumed to be nominal by management at the reporting date.