Consolidated Financial Statements
(Expressed in United States Dollars)

CENTR BRANDS CORP.

(Formerly known as River Wild Exploration Inc.)

And Independent Auditors’ Report thereon

Year ended May 31, 2020 and
Period from September 17, 2018 to May 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of CENTR Brands Corp.

Opinion

We have audited the consolidated financial statements of CENTR Brands Corp. (the "Entity"), which comprise:

- the consolidated statements of financial position as at May 31, 2020 and May 31, 2019
- the consolidated statements of net loss and comprehensive loss for year ended May 31, 2020 and for the period from September 17, 2018 to May 31, 2019
- the consolidated statements of changes in shareholders' equity for the year ended May 31, 2020 and for the period from September 17, 2018 to May 31, 2019
- the consolidated statements of cash flows for the year ended May 31, 2020 and for the period from September 17, 2018 to May 31, 2019
- 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 May 31, 2020 and May 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year ended May 31, 2020 and for the period from September 17, 2018 to May 31, 2019 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 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.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is Jonathan H.F. Wong.

Vancouver, Canada
September 28, 2020

CENTR BRANDS CORP.

Consolidated Statements of Financial Position
(Expressed in U.S. Dollars, unless otherwise stated)

May 31, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash	$ 513,774	$ 1,461,568
Accounts receivable	151,492	42,949
Inventories (note 6)	266,003	-
Prepaid expenses and other assets	12,700	247,724
	943,969	1,752,241
Property and equipment (note 7)	14,102	3,428
Right-of-use assets (note 8)	27,677	21,078
	$ 985,748	$ 1,776,747
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 9)	$ 210,491	$ 94,962
Due to related parties (note 14)	188,819	54,912
Lease liability – current portion (note 8)	22,337	7,584
	421,647	157,458
Lease liability (note 8)	5,432	13,494
Loans payable (note 10)	181,638	-
	608,717	170,952
Shareholders' equity:		
Share capital (note 11)	4,862,661	3,539,888
Reserves (note 12)	439,471	378,792
Deficit	(4,925,101)	(2,312,885)
	377,031	1,605,795
	$ 985,748	$ 1,776,747

The accompanying notes form an integral part of these consolidated financial statements.

Approved on behalf of the Board:

"Joseph Meehan" Director

"Arjan Chima" Director

CENTR BRANDS CORP.

Consolidated Statements of Net Loss and Comprehensive Loss
(Expressed in U.S. Dollars, unless otherwise stated)

	Year ended May 31, 2020	September 17, 2018 to May 31, 2019
Sales	$ 463,154	$ -
Cost of sales	316,918	-
Gross profit	146,236	-
Expenses:		
General and administrative (note 13)	2,485,949	1,088,952
Share-based compensation (note 12)	88,816	338,972
Marketing and promotion	184,029	57,662
Loss from operations	2,612,558	1,485,586
Listing expense (note 5)	-	820,211
Other (income) expense	(342)	7,088
Net loss and comprehensive loss	$ 2,612,216	$ 2,312,885
Net loss per share (note 18):		
Basic and diluted	$ 0.04	$ 0.07

The accompanying notes form an integral part of these financial statements.

CENTR BRANDS CORP.

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in U.S Dollars, unless otherwise stated)

Year ended May 31, 2020 and Period from September 17, 2018 to May 31, 2019

		Share capital Common shares		Reserves				
	Notes	Shares	Amount	Warrants	Options	Total	Deficit	Total
Balance, September 17, 2018		-	$ -	$ -	$ -	$ -	$ -	$ -
Issuance of CBDL shares		1,347,500	376,035	-	-	-	-	376,035
Shares of RWI on RTO	5	27,500,000	1,057,536	-	-	-	-	1,057,536
Eliminate shares of CBDL	5	(1,347,500)	-	-	-	-	-	-
Shares issued to shareholders of CBDL	5	26,000,000	-	-	-	-	-	-
Shares issued in private placement	5	6,040,000	2,233,398	-	-	-	-	2,233,398
RTO finder's fee	5, 12(c)	131,200	48,514	-	-	-	-	48,514
Revaluation of warrants on RTO	12(c)	-	-	28,137	-	28,137	-	28,137
Shares issuance cost	12(c)	-	(175,595)	11,683	-	11,683	-	(163,912)
Share-based compensation	12(a)	-	-	-	338,972	338,972	-	338,972
Net loss		-	-	-	-	-	(2,312,885)	(2,312,885)
Balance, May 31, 2019		59,671,200	3,539,888	39,820	338,972	378,792	(2,312,885)	1,605,795
Share-based compensation	12	-	-	-	88,816	88,816	-	88,816
Warrants exercised	11(b), 12(c)	240,000	118,315	(28,137)	-	(28,137)	-	90,178
Shares issued in private placement	11(b)	3,312,401	1,244,779	-	-	-	-	1,244,779
Shares issuance cost	11(b)	-	(40,321)	-	-	-	-	(40,321)
Net loss		-	-	-	-	-	(2,612,216)	(2,612,216)
Balance, May 31, 2020		63,223,601	$ 4,862,661	$ 11,683	$ 427,788	$ 439,471	$ (4,925,101)	$ 377,031

The accompanying notes form an integral part of these financial statements.

CENTR BRANDS CORP.

Consolidated Statement of Cash Flows
(Expressed in U.S. Dollars, unless otherwise stated)

	Year ended May 31, 2020	Period from September 17, 2028 to May 31, 2019
Cash provided by (used in):		
Operating activities:		
Net loss	$ (2,612,216)	$ (2,312,885)
Adjustments for non-cash items:		
Depreciation	25,759	201
Share-based compensation	88,816	338,972
Revaluation of RWI Warrants (note 5)	-	28,137
Listing expense (note 5)	-	687,788
Changes in non-cash working capital:		
Accounts receivable	(108,543)	(40,291)
Inventories	(266,003)	-
Prepaid expenses and other assets	235,024	(247,724)
Accounts payable and accrued liabilities	115,529	75,370
Due to related parties (note 14)	133,907	54,912
Interest paid	(2,353)	-
Net cash used in operating activities	(2,390,080)	(1,415,520)
Investing activities:		
Cash acquired on RTO of RWI (note 5)	-	386,683
Purchase of property and equipment	(14,309)	(3,630)
Net cash from (used in) investing activities	(14,309)	383,053
Financing activities:		
Net proceeds from issuance of common shares	1,294,636	2,494,035
Net proceeds from loans and borrowings	181,638	-
Payment of lease liabilities	(19,679)	-
Net cash from financing activities	1,456,595	2,494,035
Increase (decrease) in cash	(947,794)	1,461,568
Cash, beginning of period	1,461,568	-
Cash, end of period	$ 513,774	$ 1,461,568

The accompanying notes form an integral part of these financial statements.

1. Nature of the business and continuing operations:

CENTR Brands Corp. (formerly River Wild Exploration Inc. (“RWI”)) (the “Company” or “CENTR”) was incorporated under the laws of the Business Corporations Act (British Columbia). The Company’s shares are traded on the Canadian Securities Exchange (the “Exchange”) under the symbol “CNTR”.

The Company’s corporate office is located at 200-2318 Oak St, Vancouver, British Columbia, V6H 4J1. The Company is involved in the development and marketing of beverages infused with hemp-derived extracts and derivatives. The Company is focused on the sales and development of a global brand for the cannabidiol (CBD) infused beverage industry. The Company is currently marketing and selling a sparkling, low-calorie, CBD beverage product.

The Company was previously engaged in the exploration of mineral properties. On April 2, 2019, the Company completed the acquisition of CBD Lifestyle Corp. (“CBDL”) pursuant to a Share Exchange Agreement dated January 2, 2019, whereby RWI acquired all of the issued and outstanding securities of CBDL in consideration for securities of the Company (the “Transaction”). The Transaction constituted a reverse acquisition of RWI by CBDL (note 5). As part of the acquisition, RWI changed its name to CENTR Brands Corp.

In March 2020, the World Health Organization characterized the outbreak of the novel strain of coronavirus, specifically identified as COVID-19, as a global pandemic. This has resulted in the governments enacting emergency measures to combat the spread of the virus. These measures, which include material disruption to business, resulting in a global economic slowdown. Equity markets have experienced significant volatility and weakness. There is significant uncertainty as to the likely effects this outbreak will have on the business, which may, among other things, negatively impact customers and their demand for the Company’s products. The outbreak may also have an effect on the future collectability of certain receivables. In response to COVID-19, the Company has implemented working practices to address potential impacts to its operations, employees and customers and will take further measures in the future, if required.

2. Basis of presentation:

(a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements have been approved and authorized for issue by the Board of Directors of the Company on September 28, 2020.

The consolidated statements of net loss and comprehensive loss and cash flows for the period from September 17, 2018 to May 31, 2019 are comprised of CBDL’s results of operations and cash flows for the period from September 17, 2018 to April 1, 2019, and the Company’s consolidated results of operations and cash flows for the period from April 2, 2019 (the closing date of the Transaction) to May 31, 2019.

2. Basis of presentation (continued):

(b) Basis of measurement:

These consolidated financial statements have been prepared on a historic cost basis except for financial instruments classified as fair value through profit or loss, which are stated at their fair value. Other measurement bases are described in the applicable notes.

Presentation of the consolidated statements of financial position differentiates between current and non-current assets and liabilities. The consolidated statements of net loss and comprehensive loss is presented using the functional classification of expense.

(c) Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, CBD Lifestyle Corp. and CENTR Brands USA LLC. The Company accounts for its controlled subsidiaries using consolidation method of accounting from the date that control commences and deconsolidates from the date control ceases. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has all of the following:

(i) power over the investee;

(ii) exposure, or rights, to variable returns from its involvement with the investee; and

(iii) the ability to use its power over the investee to affect the amount of the investor's returns.

All transactions and balances between the Company and its subsidiaries are eliminated on consolidation, including unrealized gains and losses on transactions between companies.

(d) Use of estimates and judgement:

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of expenses during the reporting period.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2. Basis of presentation (continued):

(d) Use of estimates and judgement (continued):

Significant estimates in connection with these financial statements include the estimated useful life of property and equipment, amount recorded as accrued liabilities, deferred income taxes and provisions, inputs used in the valuation of shared-based compensation granted and warrants issued, and the incremental borrowing rate and extension terms used to measure lease liabilities.

Significant judgments in connection with these consolidated financial statements include the determination of the Company's functional currency and determination of whether a contract is or contains a lease. The recorded amounts for such items are based on management's best available information and are subject to assumptions and judgement, and, accordingly, actual results may differ from these estimates.

(e) Functional and presentation currency:

Except as otherwise noted, these financial statements are presented in U.S. dollars, which is the Company's functional and presentation currency. Monetary assets and liabilities denominated in foreign currencies are translated into U.S dollars at the rates of exchange prevailing at the consolidated statement of financial position dates. Non-monetary assets and liabilities are translated at rates prevailing at the date of acquisition. Expenses are translated at the average rate of exchange in effect during the month the transaction occurred. See note 4 for a discussion on the functional currency change.

3. Significant accounting policies:

(a) Cash:

Cash includes unrestricted cash on hand and cash held at financial institutions.

(b) Accounts receivable:

Accounts receivable are non-interest bearing, unsecured obligations due from customers. In accordance with IFRS 9, Financial instruments ("IFRS 9") the Company evaluates the credit risk on accounts receivable and measures a loss allowance at an amount equal to the expected credit losses for the subsequent 12-month period. The amount of expected credit losses is recognized against gross accounts receivables.

The methodology to arrive at net receivables is reviewed by management periodically. The balance of accounts receivable represents management's estimate of the net realizable value of receivables after discounts and contractual adjustments.

(c) Inventories:

Inventories are valued at the lower of cost and net realizable value. Cost is determined on an average cost basis. The Company utilizes the first-in, first-out (FIFO) method to determine the value of ending raw materials and finished goods inventories. Inventories are impaired when it becomes apparent that the product will not be sold and is obsolete.

3. Significant accounting policies (continued):

(d) Property and equipment:

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognized over estimated useful lives of the assets on a straight-line basis as follows:

Computer equipment	2 - 5 years
Furniture and fixtures	5 - 10 years

(e) Revenue recognition:

Revenue is derived from the sale of goods and is recognized at a point in time when the performance obligation is fulfilled. The performance obligation is deemed fulfilled when the product is delivered to customers. Product returns, breakage, promotional advertising allowances and discounts provided to customers are deducted from the selling price to determine the transaction price at which revenue is recognized. Expected product returns and breakage are estimated based on historical actuals as a percentage of sales.

(f) Cost of sales:

Cost of sales includes the costs incurred to produce finished goods inventories which have been sold. These costs include raw materials, packaging materials and production costs. Additionally, direct costs to deliver products to customers such as shipping and freight costs are included in cost of sales.

(g) Related party transactions:

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(h) Leases:

Effective June 1, 2019, the Company adopted IFRS 16, *Leases* (“IFRS 16”), under the modified retrospective approach. Leases are recognized as a right-of-use asset, representing its right to use the underlying asset, and as a lease liability, representing its obligation to make lease payments.

3. Significant accounting policies (continued):

(h) Leases (continued):

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 commencement date, plus any initial direct costs incurred less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from 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. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of the lease liability.

The lease liability is initially measured at the present value of 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.

(i) Loss per share:

Loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. Under this method, the weighted average number of common shares used to calculate the dilutive effect in the consolidated statement of net loss assumes that the proceeds that could be obtained upon exercise of options, warrants and similar instruments would be used to purchase common shares at the average market price during the period. In periods where a net loss is incurred, basic and diluted loss per share is the same as the effect of outstanding options and warrants would be anti-dilutive.

(j) Income taxes:

Income tax expense comprises current and deferred tax recognized in the statements of net loss and comprehensive loss. Current income tax expense represents the amount of income taxes payable based on tax law that is enacted or substantively enacted at the reporting date and is adjusted for changes in estimates of tax expense recognized in prior periods. A current tax liability or asset is recognized for income taxes payable, or paid but recoverable, in respect of all periods to date.

The Company uses the deferred tax method of accounting for income taxes. Accordingly, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statements' carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the Statements of net loss and comprehensive loss in the period in which the enactment or substantive enactment occurs.

3. Significant accounting policies (continued):

(j) Income taxes (continued):

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is more likely than not that future taxable income will be available to utilize such amounts. Deferred tax assets are reviewed at each reporting date and are adjusted to the extent that it is no longer probable that the related tax benefits will be realized. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(k) Financial instruments:

The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). Financial assets are initially measured at fair value and are subsequently measured at either (*i*) amortized cost; (*ii*) fair value through other comprehensive income; or (*iii*) at fair value through profit and loss.

(*i*) Amortized cost:

Financial assets classified and measured at amortized cost are those assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are SPPI. Financial assets classified at amortized cost are measured using the effective interest method.

(*ii*) Fair value through other comprehensive income ("FVTOCI"):

Financial assets classified and measured at FVTOCI are those assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise to cash flows that are SPPI.

This classification includes certain equity instruments where IFRS 9 allows an entity to make an irrevocable election to classify the equity instruments, on an instrument-by-instrument basis, that would otherwise be measured at FVTPL to present subsequent changes in OCI.

(*iii*) Fair value through profit or loss ("FVTPL"):

Financial assets classified and measured at FVTPL are those assets that do not meet the criteria to be classified at amortized cost or at FVTOCI. This category includes debt instruments whose cash flow characteristics are not SPPI or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell the financial asset.

3. Significant accounting policies (continued):

(k) Financial instruments (continued):

(*iii*) Fair value through profit or loss ("FVTPL") (continued):

Financial liabilities are generally classified and measured at fair value at initial recognition and subsequently measured at amortized cost. The following table summarizes the classification of the Company's financial instruments:

	Classification
Financial assets:	
Cash	Amortized cost
Accounts receivable	Amortized cost
Financial liabilities:	
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost
Loans payable	Amortized cost

The measurement of impairment is based on an expected credit loss impairment model. The impairment model is applicable to financial assets measured at amortized cost and debt instruments classified as FVTOCI where any expected credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date.

(l) Share capital:

Common shares are classified as equity instruments. Incremental transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from share capital, net any of tax effects. When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from total shareholders' equity. The proceeds from exercise of stock options or warrants together with amounts previously recorded in reserves over the vesting periods are recorded as share capital.

Dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the Board.

(m) Share-based compensation:

The Company offers a share option plan and a restricted share unit plan. Both plans are open to employees, directors, officers and consultants of the Company and its affiliates. For employees, the value of equity settled options is measured by reference to the fair value of the equity instrument on the date which they are granted. The fair value is recognized as an expense with a corresponding increase in reserves over the vesting period. The Board shall have the discretion to establish the vesting period for share options and restricted share units granted.

3. Significant accounting policies (continued):

(m) Share-based compensation (continued):

Fair value is calculated using the Black Scholes option pricing model, which requires the input of highly subjective assumptions, including the volatility of share prices, forfeiture rate and expected life and changes in subjective input assumptions that can materially affect the fair value estimate. The Company estimates the expected forfeiture rate of equity-settled share-based compensation based on historical experience and management's expectation.

Consideration received upon the exercise of stock options is credited to share capital, at which time the related reserves are transferred to share capital.

(n) Provisions:

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured based on management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to their present value where the effect is material.

(o) Finance income and finance costs:

Finance income comprises interest income on cash equivalents recognized in the consolidated statements of net loss and comprehensive loss as it accrues, using the effective interest method. Finance costs comprise interest expense on borrowings and lease liabilities that are recognized in the statements of net loss and comprehensive loss.

(p) Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

- Level 1 - This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.
- Level 2 - This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.
- Level 3 - This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

3. Significant accounting policies (continued):

(q) Segment reporting:

An operating segment is defined as a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are reviewed regularly by the Company's executive management, and for which discrete financial information is available. The Company has determined that it currently has one operating segment, being the marketing and sales of CBD beverage products. The Company's corporate head office incurs nominal costs that are incidental to the activities of the Company and therefore does not meet the definition of an operating segment.

(r) New standards accounting standards adopted:

On June 1, 2019, the Company adopted IFRS 16 which replaced IAS 17, *Leases* ("IAS 17") and related interpretations. The standard introduces a single, on-balance sheet accounting model for lessees. A lessee is required to recognize a right-of-us asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company adopted the standard on June 1, 2019 using the modified retrospective method, with the cumulative effective initially recognized in deficit and no restatement of prior comparative periods. The Company recognized right-of-use assets and lease liabilities of $21,078 upon adoption of IFRS 16 with no impact to the Company's deficit as at June 1, 2019.

On June 1, 2019, the Company adopted IFRIC 23, *Uncertainty over income tax treatments* ("IFRIC 23"). IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12, *Income taxes*, when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable income or losses, tax bases, unused tax losses, unused tax credits and tax rates, and how an entity considers a change in facts and circumstances. The Company adopted this interpretation and applied retrospectively, with no material impact to deficit resulting from the adoption.

(s) New accounting standards issued but not yet adopted:

In October 2018, the IASB issued "Definition of a Business (Amendments to IFRS 3)". The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. The amendments provide an assessment framework to determine when a series of integrated activities is not a business. The amendments are effective for business combinations occurring on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The Company is currently evaluating the potential impact of these amendments.

4. Change in functional and presentation currency:

Effective June 1, 2019 (the "Effective Date"), the Company changed its functional and presentation currency from the Canadian dollar ("CAD") to the U.S. dollar. The functional currency of the Company was reassessed as the Company began to commercialize its CBD beverage products in the U.S. The U.S. dollar was determined to be the functional currency of the primary economic environment in which the Company operates, as the majority of the operational activities will be denominated in or influenced by the U.S. dollar.

The change in functional currency was accounted for on a prospective basis, with prior period comparative information translated to the U.S. dollar at the rate of the Effective Date, being 0.7395 U.S. dollars per Canadian dollar.

5. Reverse Take-Over ("RTO"):

On January 2, 2019, RWI entered into a definitive share-purchase agreement to purchase 100% interest in CBDL. On April 2, 2019, RWI completed the Transaction. As a result of the Transaction, the Company issued 26,000,000 common shares to CBDL shareholders.

In conjunction with the Transaction, the Company issued 6,040,000 common shares (note 11c) of the Company in a private placement for gross proceeds of $2,233,398 to fund the operation and development of the CENTR branded beverage (the "Private Placement"). The Company issued 131,200 common shares as finder's fee with respect to the Private Placement, included in share issuance cost.

In connection with the Private Placement, the Company issued 425,600 share purchase warrants to certain parties who assisted the equity issuance. Each warrant entitles the holder to acquire a common share of the Company, at a price of CAD $1.00 per share. These warrants expired on March 29, 2020. In addition, the Company incurred cash payments of $109,482 as share issuance cost.

On closing of the Transaction, certain CBDL shareholders held a large minority voting interest of the Company, and the Board of Directors comprised a majority of CBDL shareholders, as a result, the shareholders of CBDL controlled the Company. The Transaction constituted a reverse take-over of RWI by CBDL.

Since RWI did not meet the definition of a business under IFRS 3, *Business Combinations* ("IFRS 3"), the acquisition was accounted for as the purchase of RWI's assets by CBDL. The consideration paid was determined as equity settled share-based payment under IFRS 2, *Share-based Payments* ("IFRS 2"), at the fair value of the equity of CBDL retained by the shareholders of RWI based on the fair value of the CBDL's common shares on the date of closing of the RTO.

For RTO accounting purposes, the percentage ownership of the shareholders of RWI in the combined entity on completion of the Transaction was 46% (being 27,500,000 of the total 59,671,200 issued and outstanding shares of the Company on closing of the Transaction). Based on the share price of the CBDL prior to the RTO of CAD $0.052 per share, the consideration received by the shareholders of RWI amounted to $1,057,536.

As a result of the Transaction, the Company assumed 240,000 share purchase warrants that were exercised at CAD $0.50 per share and expires in October 2019 (the "RWI Warrants").

(Expressed in U.S. Dollars, unless otherwise stated)

5. Reverse Take-Over (continued):

The Company recorded a listing expense of $820,211 in the consolidated statement of comprehensive loss, the details of which are as follows:

Fair value of consideration:		
27,500,000 notional common shares of CBDL @ CAD $0.052 per share	$	1,057,536
Estimated fair value of net assets of RWI acquired by CBDL		(369,748)
		687,788
Other transaction costs:		
Revaluation of RWI Warrants		28,137
Transaction costs (legal, audit and filing fees)		104,286
Listing expense	$	820,211

The net assets of RWI were included at their fair value (equal to the carrying value of the assets) as follows:

Cash	$	386,682
Account receivable		2,658
Accounts payable and accrued liabilities		(19,592)
Estimated fair value of net assets acquired	$	369,748

6. Inventories:

		May 31, 2020		May 31, 2019
Raw Materials	$	58,284	$	-
Finished goods		207,719		-
	$	266,003	$	-

The cost of inventories recognized as an expense and included in cost of sales was $282,627 (2019 - nil).

(Expressed in U.S. Dollars, unless otherwise stated)

7. Property and equipment:

Cost	Computer equipment	Furniture and fixtures	Total
Balance at May 31, 2019	$ 3,629	$ -	$ 3,629
Additions	12,273	2,036	14,309
Balance at May 31, 2020	$ 15,902	$ 2,036	$ 17,938

Accumulated Depreciation	Computer equipment	Furniture and fixtures	Total
Balance at May 31, 2019	$ 201	$ -	$ 201
Additions	3,229	406	3,635
Balance at May 31, 2020	$ 3,430	$ 406	$ 3,836

Net book value			
Balance, May 31, 2019	$ 3,428	$ -	$ 3,428
Balance, May 31, 2020	12,472	1,630	14,102

8. Right-of-use assets and leases liabilities:

Right-of-use assets are 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. The Company’s lease agreements range from one year to three years in length.

Right-of-use assets, June 1, 2019	$ 21,078
Additions	28,525
Depreciation	(21,926)
Right-of-use assets, May 31, 2020	$ 27,677

(Expressed in U.S. Dollars, unless otherwise stated)

8. Right-of-use assets and leases liabilities (continued):

Lease liabilities have been measured by discounting future lease payments using a rate implicit in the lease or the Company's incremental borrowing rate. The Company's incremental borrowing rate applied on June 1, 2019 was 4.9% and during the year ended May 31, 2020 was 4.9% to 7.5%.

Lease liabilities, June 1, 2019	$	21,078
Additions		27,616
Interest expense		2,353
Payments		(23,278)
Lease liabilities, May 31, 2020	$	27,769
Less: current portion of lease liabilities		22,337
Long term portion of lease liabilities	$	5,432

9. Accounts payable and accrued liabilities:

The accounts payable and accrued liabilities are as follows:

		May 31, 2020		May 31, 2019
Accounts payable	$	55,992	$	23,390
Accrued other expenses		154,499		71,572
	$	210,491	$	94,962

10. Loans payable:

		May 31, 2020		May 31, 2019
Canada Emergency Business Account	$	29,055	$	-
U.S. Paycheck Protection Program		152,583		-
	$	181,638	$	-

In April 2020, the Company applied for Canada Emergency Business Account and received a loan of CAD $40,000 which is interest free and is due in December 2022. Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness of up to CAD $10,000. There is an optional extension period from January 1, 2023 to December 31, 2025. If the extension is taken, then there is 5% interest for the extension period.

(Expressed in U.S. Dollars, unless otherwise stated)

10. Loans payable (continued):

In April 2020, the Company applied for and received the U.S. Paycheck Protection Program and received a forgivable loan of $152,583. The loan has a two-year term and an interest rate of 1% per annum. The loan is fully or partially forgiven by the U.S. Small Business Administration if certain employee retention criteria are met and the funds received are used for eligible expenses.

11. Share capital:

(a) Authorized:

The authorized share capital of the Company consists of unlimited number of common shares without par value.

(b) Issued:

	Number of shares		Total Amount
May 31, 2019	59,671,200	$	3,539,888
Common shares issuances:			
Private placement	3,312,401		1,244,779
Broker warrants exercised	240,000		118,315
Shares issuance cost	-		(40,321)
May 31, 2020	63,223,601	$	4,862,661

On May 31, 2020, there were 63,223,601 common shares (2019 – 59,671,200) issued and fully paid.

(*i*) On October 2, 2019, the Company issued 240,000 common shares pursuant to the exercise of broker warrants for proceeds of $90,178.

(*ii*) On February 20, 2020, the Company issued 2,512,401 common shares in a private placement for gross proceeds of $954,229, which included 1,050,000 common shares purchased by a company controlled by a former director of the Company and 30,000 common shares purchased by a director of the Company. Finders' fees totaling $40,321 were paid in connection with the financing.

(*iii*) On May 27, 2020, the Company issued 800,000 common shares of the Company in a private placement for gross proceeds of $290,550.

(Expressed in U.S. Dollars, unless otherwise stated)

11. Share capital (continued):

(c) Escrow securities:

Pursuant to an escrow agreement dated March 7, 2019, 26,000,000 common shares of the Company were deposited into escrow with respect to the Transaction (note 5). All of the Consideration Shares are subject to a thirty six-month time release escrow arrangement in accordance with the policies of the Canadian Securities Exchange (the "CSE"). Under the escrow agreement, 10% of the escrowed common shares were released from escrow on April 3, 2019, the listing date, and 15% are to be released every six months thereafter over a period of thirty-six months.

A summary of the status of the escrowed securities outstanding are as follows:

	Number of shares
Balance, September 17, 2018	-
Issued	26,000,000
Released	(2,600,000)
Balance, May 31, 2019	23,400,000
Released	(7,800,000)
Balance, May 31, 2020	15,600,000

12. Reserves:

Reserves are comprised of share-based compensation and share purchase warrants:

(a) Share-based compensation – options:

The Company operates an equity-settlable, stock options-based payment compensation plan, under which the Company pays equity instruments of the Company as consideration in exchange for employee and similar services. The plan is open to employees, directors, officers and consultants of the Company and its affiliates.

The fair value of the grant of the options is recognized in the consolidated statements of net loss and comprehensive loss as an expense. The total amount to be expensed is determined by the fair value of the options granted. The total expense is recognized over the vesting period which is the period over which all of the service vesting conditions are satisfied. The vesting period is determined at the discretion of the Board and has ranged from immediate vesting to three years. The maximum number of common shares reserved for issuance, in the aggregate, under the Company's option plan (and under any other share compensation arrangements of the Company) is 10% of the aggregate number of common shares which are outstanding from time to time.

The options have an expiry date of five years from the date of issue.

(Expressed in U.S. Dollars, unless otherwise stated)

12. Reserves (continued):

(a) Share-based compensation – options (continued):

	Number of stock options	Weighted average exercise price (CAD)	Expiry date
Outstanding, May 31, 2019	5,100,000	1.00	May 2024
Granted	100,000	1.00	May to October 2024
Forfeitures	(1,375,000)	1.00	May 2024
Transferred to RSUs (note 12(b))	(3,825,000)		
Outstanding, May 31, 2020	-		

The weighted average contractual life of the outstanding options as at May 31, 2020 was nil (2019 – 4.9 years). The total number of options exercisable as at May 31, 2020 was nil (2019 – 4,825,000).

During the period ended May 31, 2020, the Company recorded share-based compensation expense of $14,590 (2019 – $338,972) related to share-based options.

During the year, the Company issued 100,000 options to employees. The fair value of the stock options granted during the year and to be vested over 3 years, was estimated to be CAD $0.14 per option using the Black-Scholes option pricing model based on the following assumptions: volatility of 46.4% - 52.0% calculated based on comparable companies; remaining life of 5 years; expected life of 3 to 4 years; expected dividend yield of 0%; forfeiture rate of 0% and an annual risk-free interest rate of 1.4% - 1.6%.

On February 20, 2020, the Company exchanged all of the outstanding options to restricted share units. These options were cancelled upon the conversion to restricted share units. The total compensation cost not yet recognized related to these options was $19,400.

(b) Share-based compensation – restricted share units (“RSUs”):

The Company operates an equity-settle, RSUs-based payment compensation plan, under which the Company pays equity instruments of the Company as consideration in exchange for employee and similar services. The plan is open to employees, directors, officers and consultants of the Company and its affiliates.

The fair value of the grant of the RSUs is recognized in the consolidated statements of net loss and comprehensive loss as an expense. The total amount to be expensed is determined by the fair value of the RSUs granted. The total expense is recognized over the vesting period which is the period over which all of the service vesting conditions are satisfied. The maximum number of common shares reserved for issuance, in the aggregate, under the Company’s RSU plan (and under any other share compensation arrangements of the Company) is 10% of the aggregate number of common shares which are outstanding from time to time. As at May 31, 2020, this represented 6,322,360 common shares.

(Expressed in U.S. Dollars, unless otherwise stated)

12. Reserves (continued):

(b) Share-based compensation – restricted share units ("RSUs") (continued):

	Number of RSUs	Expiry date
Outstanding, May 31, 2019:		
Transferred from options (note 12(a))	3,825,000	February 2025
Granted	1,480,000	February to March 2025
Outstanding, May 31, 2020	5,305,000	

During the year, the Company issued 3,450,000 RSUs to executive and non-executive directors and 375,000 RSUs issued to employees from the options transfer. The Company also granted 1,400,000 RSUs to executive and non-executive directors and 80,000 RSUs to employees.

The RSUs have an expiry date of five years from the date of issue. As at May 31, 2020, the weighted average remaining life of the RSUs outstanding is 4.7 years.

The fair value of the RSUs granted during the year and estimated to be vested over 2.5 years, was estimated to be CAD $0.22 per RSUs using the Black-Scholes option pricing model based on the following assumptions: volatility of 55.0% - 60.9% calculated based on comparable companies; remaining life of 5 years; expected life of 2.5 years; expected dividend yield of 0%; forfeiture rate of 0% and an annual risk-free interest rate of 0.5% - 1.3%.

During the year ended May 31, 2020, the Company recorded share-based compensation expense of $74,226 relating to RSUs vesting through the period. The total compensation cost not yet recognized related to RSUs granted is approximately $573,167 and will be recognized over the remaining average vesting period of 2.5 years.

(c) Share purchase warrants:

A summary of the share purchase warrants issued and outstanding is as follows:

	Number of warrants	Weighted average exercise price (CAD)	Expiry date
Outstanding, September 17, 2018	-	$ -	
RWI warrants (note 5)	240,000	0.50	October 18, 2019
Broker warrants issued	425,600	1.00	March 29, 2020
Outstanding, May 31, 2019	665,600	0.82	
Issued	-	-	
Exercised	(240,000)	0.50	
Expired	(425,600)	1.00	
Outstanding, May 31, 2020	-		

(Expressed in U.S. Dollars, unless otherwise stated)

12. Reserves (continued):

(c) Share purchase warrants (continued):

The RWI warrants were revalued at CAD $0.16 per warrant using the Black-Scholes option pricing model based on the following assumptions: volatility of 50.00% calculated based on comparable companies; remaining life of 0.4 year; expected dividend yield of 0%; forfeiture rate of 0% and an annual risk-free interest rate of 1.65%. The fair value of these share purchase warrants of $28,137 is recognized as part of the RTO listing expense (note 5). These RWI warrants were fully exercised during the year ended May 31, 2020.

In connection with the Private Placement on April 2, 2019, the Company issued 425,600 broker warrants that vested immediately to the agent. Each warrant entitles the agent to acquire one common share of the Company at an exercise price of CAD $1.00 and expired on March 29, 2020. The fair value of the broker warrants granted on April 2, 2019 was estimated to be CAD $0.04 per warrant using the Black-Scholes option pricing model based on the following assumptions: volatility of 50.00% calculated based on comparable companies; remaining life of 0.8 year; expected dividend yield of 0%; forfeiture rate of 0% and an annual risk-free interest rate of 1.68%. The fair value of these broker warrants of $11,683 is recognized as part of the transaction costs of the equity issuance which is reflected in the common shares equity reserve. These broker warrants were not exercised and expired on March 29, 2020.

13. General & administrative:

	Year ended May 31, 2020	September 17 2018 to May 31, 2019
Accounting and legal	$ 294,464	$ 145,395
Consulting	514,765	636,774
Depreciation	25,759	201
Office and administrative	102,132	105,698
Salaries and benefits	1,185,655	161,953
Travel and other expenses	363,174	38,931
	$ 2,485,949	$ 1,088,952

(Expressed in U.S. Dollars, unless otherwise stated)

14. Related party transactions and balances:

(a) Compensation of key management personnel:

The Company transacts with key individuals from management who have authority and responsibility to plan, direct, and control the activities of the Company. Key management personnel are defined as the executive officers of the Company and the Board, including the Chief Executive Officer, President and Chief Financial Officer.

	Year ended May 31, 2020	September 17 2018 to May 31, 2019
Salaries and benefits	$ 342,742	$ 110,257
Share-based payments	69,432	336,760
Consulting fees	107,973	23,295
	$ 520,147	$ 470,312

(b) Transactions with controlling shareholders:

The Company incurred the following transactions with companies having a former director, directors, and officers in common:

	Year ended May 31, 2020	September 17 2018 to May 31, 2019
Consulting fees paid to a director	$ -	$ 5,575
Consulting fees paid to companies controlled by a director and a former director of the Company	446,162	388,256
Other fees paid to companies controlled by a former director of the Company	63,475	127,849
	$ 509,637	$ 521,680

As at May 31, 2020, $188,819 (2019 - $54,912) was included in due to related parties for creative services and other overhead costs and in the ordinary course of business. These amounts bear no interest and are due on demand.

(Expressed in U.S. Dollars, unless otherwise stated)

15. Capital management:

The Company's objective is to maintain a capital structure that supports its long-term growth strategy, maintains creditor and customer confidence, and maximizes shareholder value. There were no changes in the Company's approach to capital management during the year ended from May 31, 2020. The capital structure of the Company consists of its shareholders' equity.

The Company's primary uses of capital are to finance operations, finance new start-up costs, increase non-cash working capital and capital expenditures. The Company's objectives when managing capital are to ensure the Company will continue to have enough liquidity to expand. The Company, as part of its annual budgeting process, evaluates its estimated annual cash requirements to fund planned expansion activities and working capital requirements of existing operations. Based on this cash budget and taking into account its anticipated cash flows from operations and its holdings of cash, the Company is of the view that it has the sufficient capital or the ability to draw the required funds from shareholder commitments.

16. Financial instruments and fair value measurement:

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements.

The following tables show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy and accounting classification.

May 31, 2020	Classification	Fair value level	Carrying value	Fair value
Financial assets not measured at fair value				
Cash	Amortized cost	2	$ 513,774	$ 513,774
Accounts receivable	Amortized cost	2	151,492	151,492
Financial liabilities not measured at fair value				
Accounts payable and accrued liabilities	Amortized cost	2	210,491	210,491
Due to related parties	Amortized cost	2	188,819	188,819
Loans payable	Amortized cost	2	181,638	181,638

May 31, 2019	Classification	Fair value level	Carrying value	Fair value
Financial assets not measured at fair value				
Cash	Amortized cost	2	$ 1,461,568	$1,461,568
Accounts receivable	Amortized cost	2	42,949	42,949
Financial liabilities not measured at fair value				
Accounts payable and accrued liabilities	Amortized cost	2	94,962	94,962
Due to related parties	Amortized cost	2	54,912	54,912

17. Risk management:

In the normal course of business, the Company is exposed to risks related to financial instruments that can affect its operating performance. These risks, and the actions taken to manage them, are as follows:

(a) Credit risk:

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company does not have financial instruments that result in material exposure.

(b) Liquidity risk:

Liquidity risk is the risk that the Company may encounter difficulty in raising funds to meet its financial commitments or can only do so at excessive cost. The Company ensures there is sufficient liquidity to meet its short-term business requirements, taking into account its anticipated cash flows from operations, its holdings of cash and its ability to draw on committed funds from its existing shareholders or to raise funds from external shareholders.

(c) Currency risk:

Currency risk is the risk to the Company's earnings that arises from fluctuations in foreign exchange rates and the degree of volatility of those rates. The Company believes it is exposed to significant currency risk, as to date the Company has raised money both only in Canada and in Canadian dollars to fund operations and development, along with a significant proportion of the Company’s general and administrative expenses incurred in Canadian dollars.

(d) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have financial instruments that result in material exposure.

18. Basic and diluted loss per share:

	Year ended May 31, 2020	September 17 2018 to May 31, 2019
Net loss attributable to the Company	$ 2,612,216	$ 2,312,885
Basic and diluted weighted average common shares outstanding	60,541,651	33,860,981
Basic and diluted loss per share	$ 0.04	$ 0.07

For the year ended May 31, 2020, the effect of 5,305,000 RSUs have been excluded from the diluted calculation because this effect would be anti-dilutive. For the period ended May 31, 2019, the effect of 5,100,000 options and 665,600 warrants have been excluded from the diluted calculation because this effect would be anti-dilutive.

(Expressed in U.S. Dollars, unless otherwise stated)

19. Income taxes:

(a) Income tax rate reconciliation:

The Company's effective income tax rate differs from the combined Federal and provincial statutory income tax rate. A reconciliation of income taxes at statutory rates to actual income taxes is as follows:

	Year ended May 31, 2020	September 17 2018 to May 31, 2019
Comprehensive loss before income taxes	$ 2,612,216	$ 2,312,885
Basic statutory rate	27%	27%
Expected income tax expense (benefit)	(705,298)	(624,479)
Change in unrecognized deductible temporary differences	651,975	423,256
Permanent differences	29,635	248,633
Statue rate differences	57,673	-
Other	(33,985)	(47,410)
	$ -	$ -

(b) Unrecognized deferred income tax assets:

The Company has not recognized deferred income tax assets in respect of the following deductible temporary differences.

	Year ended May 31, 2020	September 17 2018 to May 31, 2019
Non-Capital Losses	$ 4,171,010	$ 1,691,789
Financing Fees	274,453	224,769
Other Temporary Differences	143,540	25,385
Total	$ 4,589,003	$ 1,941,943

As at May 31, 2020, the Company has non-capital loss carryforwards of $3,247,372 which may be carried forward to apply against future income tax for Canadian income tax purposes. These non-capital loss carryforwards begin to expire in 2029.

As at May 31, 2020, the Company has US non-capital loss carryforwards of $923,638 which may be carried forward to apply against future income tax for US income tax purposes. These non-capital loss carryforwards can be carried forward indefinitely.

20. Subsequent events:

On September 8, 2020, the Company issued 1,963,000 common shares and 1,963,000 share purchase warrants of the Company in a private placement for gross proceeds of $520,848. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of CAD $0.60 and expires in three years. Finder's fees totaling $15,920 in cash and 60,000 broker warrants were paid in connection with the financing. Each broker warrant entitles the agent to acquire one common share of the Company at an exercise price of CAD $0.60 and expires in one year.

On September 25, 2020, the Company issued 1,132,500 common shares and 1,132,500 share purchase warrants of the Company in a private placement for gross proceeds of $296,377. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of CAD $0.60 and expires in three years. Finder's fees totaling $11,486 in cash and 43,950 broker warrants were paid in connection with the financing. Each broker warrant entitles the agent to acquire one common share of the Company at an exercise price of CAD $0.60 and expires in one year.