

Consolidated Financial Statements
(Expressed in United States Dollars)

CENTR BRANDS CORP.

And Independent Auditors' Report thereon

Years ended May 31, 2022 and 2021



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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, 2022 and May 31, 2021
- the consolidated statements of net income (loss) and comprehensive income (loss) for the years then ended
- the consolidated statements of changes in shareholders' equity (deficiency) for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at May 31, 2022 and May 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

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

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

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



Other Information

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

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

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

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

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

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as issued by the IASB, 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.

Chartered Professional Accountants

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

Vancouver, Canada
September 23, 2022

CENTR BRANDS CORP.

Consolidated Statements of Financial Position
(Expressed in United States Dollars, unless otherwise stated)

May 31, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash	\$ 3,855,544	\$ 832,047
Accounts receivable	74,846	153,427
Inventories (note 4)	1,050,259	1,119,298
Prepaid expenses and other assets	440,665	254,084
	5,421,314	2,358,856
Property and equipment (note 5)	23,632	16,221
Right-of-use assets (note 6)	443,398	4,201
	\$ 5,888,344	\$ 2,379,278

Liabilities and Shareholders' Equity (Deficiency)

Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 555,756	\$ 772,825
Due to related parties (note 13)	121,299	622,112
Lease liability - current portion (notes 6 and 13)	95,472	6,205
	772,527	1,401,142
Lease liability (notes 6 and 13)	349,023	-
Loans payable (note 8)	31,627	33,189
Warrants liability (note 9)	640,640	4,573,585
	1,793,817	6,007,916
Shareholders' equity (deficiency):		
Share capital (note 10)	21,462,236	13,004,027
Reserves (note 11)	1,317,809	2,537,792
Deficit	(18,685,518)	(19,170,457)
	4,094,527	(3,628,638)
	\$ 5,888,344	\$ 2,379,278

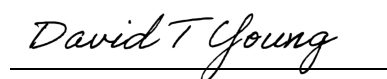
Commitment and contingencies (note 19)

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

Approved on behalf of the Board:



Director



Director

CENTR BRANDS CORP.

Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)
(Expressed in United States Dollars, unless otherwise stated)

Years ended May 31, 2022 and 2021

	2022	2021
Sales	\$ 1,853,902	\$ 762,547
Cost of sales	1,320,498	606,105
Gross profit	533,404	156,442
Expenses:		
General and administrative (note 12)	5,019,048	3,735,556
Share-based compensation (note 11)	454,298	2,269,343
Marketing and promotion	439,499	412,763
Loss from operations	(5,379,441)	(6,261,220)
Other income (expenses):		
Gain (loss) on revaluation of warrants liability (note 9)	5,879,278	(8,014,811)
Loan forgiveness (note 8)	-	152,583
Contract cancellation fees	-	(129,457)
Other expenses	(14,898)	(4,134)
Net income (loss) and comprehensive income (loss)	\$ 484,939	\$(14,257,039)
Earnings (loss) per share (note 17):		
Basic and diluted	\$ 0.01	\$ (0.22)

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

CENTR BRANDS CORP.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in United States Dollars, unless otherwise stated)

Years ended May 31, 2022, and 2021

	Notes	Share capital Common shares		Reserves			Deficit	Total
		Shares	Amount	Warrants	RSUs/Options	Total		
Balance, May 31, 2020		63,223,601	\$ 4,862,661	\$ 11,683	\$ 427,788	\$ 439,471	\$ (4,925,101)	\$ 377,031
Share-based compensation	11	-	-	-	2,269,343	2,269,343	-	2,269,343
Warrants exercised	9, 10(b)	4,214,930	6,826,370	-	-	-	-	6,826,370
Shares issued in private placement	10(b)	8,810,468	1,220,847	-	-	-	-	1,220,847
Shares issuance cost	10(b)	-	(153,560)	-	-	-	-	(153,560)
Shares issued on vesting of restricted share units	10(b)	540,000	159,339	-	(159,339)	(159,339)	-	-
Shares issued to settle amounts owed	10(b)	297,045	88,370	-	-	-	-	88,370
Transfer		-	-	(11,683)	-	(11,683)	11,683	-
Loss for the year		-	-	-	-	-	(14,257,039)	(14,257,039)
Balance, May 31, 2021		77,086,044	13,004,027	-	2,537,792	2,537,792	(19,170,457)	(3,628,638)
Share-based compensation	11	202,305	100,620	-	353,678	353,678	-	454,298
Warrants exercised	9, 10(b)	603,347	713,411	-	-	-	-	713,411
Shares issued in private placement	10(b)	12,171,035	6,572,097	-	-	-	-	6,572,097
Shares issuance cost	10(b)	-	(433,600)	-	-	-	-	(433,600)
Shares issued on vesting of restricted share units	10(b)	5,550,000	1,573,661	-	(1,573,661)	(1,573,661)	-	-
Shares purchased and held in treasury	10(b)	(120,000)	(67,980)	-	-	-	-	(67,980)
Income for the year		-	-	-	-	-	484,939	484,939
Balance, May 31, 2022		95,492,731	\$ 21,462,236	\$ -	\$ 1,317,809	\$ 1,317,809	\$ (18,685,518)	\$ 4,094,527

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

CENTR BRANDS CORP.

Consolidated Statements of Cash Flows

(Expressed in United States Dollars, unless otherwise stated)

Years ended May 31, 2022 and 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Net income (loss) for the year	\$ 484,939	\$ (14,257,039)
Adjustments for non-cash items:		
Depreciation and amortization	97,981	30,395
Share-based compensation	454,298	2,269,343
Revaluation of warrants	(5,879,278)	8,014,811
Inventory provision	165,456	-
Interest expense	25,966	-
Loss on disposal of assets	3,384	-
Loan forgiveness	-	(152,583)
Foreign exchange	(1,562)	4,134
Changes in non-cash operating working capital:		
Accounts receivable	78,581	(1,935)
Inventories	(96,417)	(853,295)
Prepaid expenses and other assets	(186,581)	(241,384)
Accounts payable and accrued liabilities	(217,069)	562,334
Due to related parties (note 13)	(500,813)	433,293
Net cash used in operating activities	(5,571,115)	(4,191,926)
Investing activities:		
Purchase of property and equipment	(23,676)	(9,038)
Net cash used in investing activities	(23,676)	(9,038)
Financing activities:		
Net proceeds from issuance of common shares and warrants	8,798,241	4,540,801
Purchase of treasury shares	(67,980)	-
Payment of lease liabilities	(111,973)	(21,564)
Net cash provided by financing activities	8,618,288	4,519,237
Increase in cash	3,023,497	318,273
Cash, beginning of year	832,047	513,774
Cash, end of year	\$ 3,855,544	\$ 832,047

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

CENTR BRANDS CORP.

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in United States Dollars, unless otherwise stated)

Years ended May 31, 2022 and 2021

1. Nature of the business and continuing operations:

CENTR Brands Corp. (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 100-2318 Oak Street, 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 sparkling, low-calorie, hemp-based CBD beverage products.

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. As the effects of an evolving COVID-19 and the new variants continue into the current fiscal year, there is significant uncertainty as to the 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 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:

These 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 23, 2022.

(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 income (loss) and comprehensive income (loss) is presented using the functional classification of expense.

CENTR BRANDS CORP.

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in United States Dollars, unless otherwise stated)

Year ended May 31, 2022 and 2021

2. Basis of presentation (continued):

(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.

Significant estimates in connection with these financial statements include the estimated useful life of right-of-use assets, the net realizable value of inventories, the amount of sales returns, 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.

CENTR BRANDS CORP.

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in United States Dollars, unless otherwise stated)

Year ended May 31, 2022 and 2021

2. Basis of presentation (continued):

(e) Functional and presentation currency:

Except as otherwise noted, these financial statements are presented in United States dollars, which is the Company's functional and presentation currency. Monetary assets and liabilities denominated in foreign currencies are translated into United States 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.

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 lifetime expected credit losses. 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. Impairment expense, if any, are included in cost of sales.

(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	3 years
Furniture and fixtures	5 years

CENTR BRANDS CORP.

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in United States Dollars, unless otherwise stated)

Year ended May 31, 2022 and 2021

3. Significant accounting policies (continued):

(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. The Company estimates the expected product returns and breakage based on historical actuals as a percentage of sales, and adjusted by specific facts and circumstances. Any significant changes in experience as compared to the historical actuals will impact the expected return percentage estimated by the Company.

(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:

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.

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. The Company records the interest expense related to lease liabilities in general and administrative expenses.

CENTR BRANDS CORP.

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in United States Dollars, unless otherwise stated)

Year ended May 31, 2022 and 2021

3. Significant accounting policies (continued):

(i) Earnings (loss) per share:

Earnings (loss) per share is calculated by dividing the net income (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 income (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 income (loss) and comprehensive income (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 income (loss) and comprehensive income (loss) in the period in which the enactment or substantive enactment occurs.

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.

CENTR BRANDS CORP.

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in United States Dollars, unless otherwise stated)

Year ended May 31, 2022 and 2021

3. Significant accounting policies (continued):

(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.

(iv) Financial liabilities:

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value with changes in fair value recognized in profit or loss. Non-derivative financial liabilities are generally classified and measured at fair value at initial recognition and subsequently measured at amortized cost.

CENTR BRANDS CORP.

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in United States Dollars, unless otherwise stated)

Year ended May 31, 2022 and 2021

3. Significant accounting policies (continued):

(k) Financial instruments (continued):

(v) Impairment:

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.

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
Warrants liability	FVTPL

(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 equity classified 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.

CENTR BRANDS CORP.

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in United States Dollars, unless otherwise stated)

Year ended May 31, 2022 and 2021

3. Significant accounting policies (continued):

(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.

Fair value is calculated using the Black Scholes option pricing model, which requires the input of 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) 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.

CENTR BRANDS CORP.

Notes to the Consolidated Financial Statements

(Tabular amounts expressed in United States Dollars, unless otherwise stated)

Year ended May 31, 2022 and 2021

3. Significant accounting policies (continued):

(o) Fair value measurement (continued):

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.

(p) 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 operating costs that are incidental to the activities of the Company and therefore does not meet the definition of an operating segment.

(q) New standards accounting standards not yet adopted:

The IASB issued amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions. The amendments to IAS 8 will be effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. The Company will adopt this standard effective June 1, 2022. The Company does not expect this amendment to have any impacts on its consolidated financial statements.

CENTR BRANDS CORP.

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3. Significant accounting policies (continued):

(q) New standards accounting standards not yet adopted (continued):

The IASB issued amendments to IAS 1, *Presentation of Financial Statements*, to clarify its requirements for the presentation of liabilities in the statement of financial position. The amendment clarifies the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and that classification is unaffected by expectations about whether an entity will exercise its right to defer settlements of a liability. The IASB also made amendments that require entities to disclose their material accounting policies rather than their significant ones and explain how an entity can identify material accounting policy information. The amendments to IAS 1 will be effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. The Company will adopt this standard effective June 1, 2022. The Company does not expect this amendment to have any impacts on its consolidated financial statements.

4. Inventories:

	2022	2021
Raw materials	\$ 528,860	\$ 619,005
Finished goods	521,399	500,293
	\$ 1,050,259	\$ 1,119,298

The cost of inventories recognized as an expense and included in cost of sales was \$943,087 (2021 - \$395,358), which included an excess and obsolete inventory provision of \$165,456 (2021 - nil) related to finished goods.

5. Property and equipment:

Cost	Computer equipment	Furniture and fixtures	Total
Balance, May 31, 2021	\$ 24,940	\$ 2,037	\$ 26,977
Additions	23,676	-	23,676
Disposals	(1,730)	-	(1,730)
Balance, May 31, 2022	\$ 46,886	\$ 2,037	\$ 48,923

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5. Property and equipment (continued):

Accumulated depreciation	Computer equipment	Furniture and fixtures	Total
Balance, May 31, 2021	\$ 9,925	\$ 830	\$ 10,755
Additions	14,535	409	14,944
Disposals	(408)	-	(408)
Balance, May 31, 2022	\$ 24,052	\$ 1,239	\$ 25,291

Net book value	Computer equipment	Furniture and fixtures	Total
Balance, May 31, 2021	\$ 15,015	\$ 1,206	\$ 16,221
Balance, May 31, 2022	22,834	798	23,632

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

As at May 31, 2022, the Company's lease agreements range from four years to five years in length. On September 1, 2021, the Company entered into a new head-office lease agreement for an initial term of 5-years. The landlord of the lease is a company controlled by a former director of the Company.

	2022	2021
Right-of-use assets, opening	\$ 4,201	\$ 27,677
Additions	524,297	-
Disposal	(2,063)	-
Depreciation	(83,037)	(23,476)
Right-of-use assets, ending	\$ 443,398	\$ 4,201

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6. 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 for the year ended May 31, 2022 was 6.0% to 7.5% (2021 - 4.9% to 7.5%).

	2022	2021
Lease liabilities, opening	\$ 6,205	\$ 27,769
Additions	524,297	-
Interest expense	25,966	993
Payments	(111,973)	(22,557)
Lease liabilities, ending	444,495	6,205
Less: current portion of lease liabilities	95,472	6,205
Long-term portion of lease liabilities	\$ 349,023	\$ -

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be made as at May 31, 2022.

	2022	2021
Less than one year	\$ 124,114	\$ 6,282
One to two years	124,114	-
Two to three years	124,114	-
Three to four years	114,124	-
Four to five years	70,990	-
Total	\$ 557,456	\$ 6,282

7. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities are as follows:

	2022	2021
Accounts payable	\$ 215,133	\$ 285,949
Accrued other expenses	340,623	486,876
	\$ 555,756	\$ 772,825

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8. Loans payable:

	2022	2021
Canada Emergency Business Account	\$ 31,627	\$ 33,189

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 2023. Repaying the balance of the loan on or before December 31, 2023 will result in loan forgiveness of up to CAD \$10,000. There is an optional extension period from January 1, 2024 to December 31, 2025. If the extension is taken, then there is 5% interest for the extension period.

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. The loan was fully forgiven, on May 20, 2021, with \$152,583 recognized in other income (expenses) during the year ended May 30, 2021.

9. Warrants liability:

	Number of warrants	Weighted average exercise price (CAD)	Expiry date
Outstanding, May 31, 2021	5,002,059	\$ -	
Issued	12,650,969	1.24	July 2022 to May 2025
Exercised	(603,347)	0.60	November 2021 to November 2023
Outstanding, May 31, 2022	17,049,681		

Foreign currency denominated warrants (not including compensation warrants) are considered a derivative as they are not indexed solely to the Company's own stock. The warrants liability was determined using the Black-Scholes option pricing model. As at May 31, 2022, the warrants liability was valued with a fair value of \$640,640 (2021 - \$4,573,585) using the following assumptions: volatility of 51.9% to 65.9% (2021 - 52.4% to 58.5%) calculated based on comparable companies; remaining life of 1.3 to 2.9 years (2021 - 0.3 to 2.5 years); expected dividend yield of 0% (2021 - 0%); forfeiture rate of 0% (2021 - 0%) and an annual risk-free interest rate of 0.4% - 3.3% (2021 - 0.2% - 0.8%). The change in fair value of these warrants is recognized as gain on revaluation of warrants liability of \$5,879,278 (2021 - loss of \$8,014,811).

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Year ended May 31, 2022 and 2021

10. Share capital:

(a) Authorized:

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

(b) Issued and outstanding:

	Number of shares	Total
May 31, 2021	77,086,044	\$ 13,004,027
Common shares issuances:		
Private placement	12,171,035	6,572,097
Warrants exercised (note 9)	603,347	713,411
Shares issuance cost	-	(433,600)
Restricted share units vested and issued	5,550,000	1,573,661
Share-based compensation	202,305	100,620
Shares purchased and held in treasury	(120,000)	(67,980)
May 31, 2022	95,492,731	\$ 21,462,236

On May 31, 2022, there were 95,612,731 common shares (2021 - 77,086,044) issued and 95,492,731 common shares (2021 - 77,086,044) outstanding.

(i) During the year ended May 31, 2022:

On July 22, 2021, the Company issued 2,054,168 units in a private placement, which consisted of one common share and one common share purchase warrant, for gross proceeds of \$2,451,429. Each warrant entitles the holder thereof to acquire one common share at the price of CAD \$1.75 for a period of three years from closing. Finders' fees totalling \$147,086 were paid in cash and 123,250 broker warrants were issued in connection with the financing. Each broker warrant entitles the holder thereof to acquire one common share at the price of CAD \$1.75 over a period of 12-months from the closing date. A total of 666,667 units were issued to a related party of the Company.

On August 6, 2021, the Company issued 1,086,684 units in a private placement, which consisted of one common share and one common share purchase warrant, for gross proceeds of \$1,298,606. Each warrant entitles the holder thereof to acquire one common share at the price of CAD \$1.75 for a period of three years from closing. Finders' fees totalling \$21,347 were paid in cash and 15,200 broker warrants were issued in connection with the financing. Each broker warrant entitles the holder thereof to acquire one common share at the price of CAD \$1.75 over a period of 12-months from the closing date.

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10. Share capital (continued):

(b) Issued (continued):

(i) During the year ended May 31, 2022 (continued):

On September 10, 2021, the Company issued 794,668 units in a private placement, which consisted of one common share and one common share purchase warrant, for gross proceeds of \$947,982. Each warrant entitles the holder thereof to acquire one common share at the price of CAD \$1.75 for a period of three years from closing. Finders' fees totalling \$29,184 were paid in cash and 24,348 broker warrants were issued in connection with the financing. Each broker warrant entitles the holder thereof to acquire one common share at the price of CAD \$1.75 over a period of 12-months from the closing date.

On April 13 and 14, 2022, the Company issued 7,007,144 units in a private placement, which consisted of one common share and one common share purchase warrant, for gross proceeds of \$3,629,825. Each warrant entitles the holder thereof to acquire one common share at the price of CAD \$1.00 for a period of three years from closing. Finders' fees totalling \$134,166 were paid in cash and 259,038 broker warrants were issued in connection with the financing. Each broker warrant entitles the holder thereof to acquire one common share at the price of CAD \$1.00 over a period of 12-months from the closing date. A total of 3,128,460 units were issued to related parties of the Company.

On May 6, 2022, the Company issued 1,228,371 units in a private placement, which consisted of one common share and one common share purchase warrant, for gross proceeds of \$607,322. Each warrant entitles the holder thereof to acquire one common share at the price of CAD \$1.00 for a period of three years from closing. Finders' fees totalling \$29,325 were paid in cash and 58,098 broker warrants were issued in connection with the financing. Each broker warrant entitles the holder thereof to acquire one common share at the price of CAD \$1.00 over a period of 12-months from the closing date.

The Company issued 603,347 common shares pursuant to the exercise of warrants.

The Company issued 5,550,000 common shares on vesting of restricted share units. 4,930,000 common shares were issued to executive officers of the Company.

The Company purchased 120,000 common shares from employees in exchange for cash consideration of \$67,980, and these common shares are held as treasury shares by the Company.

The Company issued 202,305 common shares to settle certain accounts payable, of which 55,000 common shares were issued to an executive officer of the Company.

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10. Share capital (continued):

(b) Issued (continued):

(ii) During the year ended May 31, 2021:

The Company issued 8,810,468 units in private placements, which consisted of one common share and one common share purchase warrant, for gross proceeds of \$2,355,343. The common shares were issued at CAD \$0.35 per share. Each share purchase warrant entitles the holder thereof to acquire one common share at the price of CAD \$0.60 for a period of three years from closing. Finders' fees totaling \$108,955 were paid in cash and 406,521 broker warrants were issued in connection with the financing. Each broker warrant entitles the holder thereof to acquire one common share at the price of CAD \$0.60 over a period of 12-months from the closing date. A total of 813,000 units were issued to related parties of the Company. The share purchase warrants issued in connection with the units and broker warrants were determined to be liability classified, and valued at \$1,105,217 and \$29,279, respectively, on the issuance date.

The Company issued 4,214,930 common shares pursuant to the exercise of warrants.

The Company issued 540,000 common shares on vesting of restricted share units. 490,000 common shares were issued to executive officers of the Company.

The Company issued 297,045 common shares to executive officers of the Company to settle amounts owed.

(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. All of the shares issued as consideration 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, May 31, 2020	15,600,000
Released	(7,800,000)
Balance, May 31, 2021	7,800,000
Released	(7,800,000)
Balance, May 31, 2022	-

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11. Reserves:

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

(a) Share-based compensation - options:

The Company operates an equity-settleable, 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 income (loss) and comprehensive income (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.

	Number of stock options	Weighted average exercise price (CAD)	Expiry date
Outstanding, May 31, 2020	-	-	
Granted	200,000	\$ 0.41	November 2023
Outstanding, May 31, 2021	200,000	0.41	
Granted	-	-	
Outstanding, May 31, 2022	200,000	\$ 0.41	

The weighted average contractual life of the outstanding options as at May 31, 2022 was 1.4 years (2021 - 2.4 years). The total number of options exercisable as at May 31, 2022 was 200,000 (2021 - 200,000).

During the period ended May 31, 2022, the Company recorded share-based compensation expense of \$1,678 (2021 - \$19,795) related to share-based options.

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(Tabular amounts expressed in United States Dollars, unless otherwise stated)

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11. Reserves (continued):

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

The Company operates an equity-settled, RSUs share-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 income (loss) and comprehensive income (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 issued and outstanding from time to time. As at May 31, 2022, this represented 9,549,273 common shares.

	Number of RSUs	Expiry date
Outstanding, May 31, 2020	5,305,000	
Granted	2,415,000	September 2025 to February 2026
Transferred to shares (note 10(b))	(540,000)	December 2020 to March 2021
Forfeitures	(100,000)	February 2025
Outstanding, May 31, 2021	7,080,000	
Granted	10,000	January 2027
Transferred to shares (note 10(b))	(5,550,000)	December 2020 to March 2021
Forfeitures	(350,000)	September 2025 to February 2026
Outstanding, May 31, 2022	1,190,000	

During the year, the Company granted 10,000 RSUs to an employee. The RSUs have an expiry date of five years from the date of issue. As at May 31, 2022, the weighted average remaining life of the RSUs outstanding is 3.3 years (2021 - 4.0 years) and the total number of vested RSUs was 300,000 (2021 - 6,780,000).

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11. Reserves (continued):

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

The fair value of the RSUs granted during the year was CAD \$0.78 per RSU and was vested immediately upon granting.

The fair value of the RSU granted in fiscal 2021 was estimated to be between CAD \$0.15 to CAD \$1.65 per RSU using the Black-Scholes option pricing model based on the following assumptions: volatility of 58.8% - 80.4% 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 0.2% - 1.9%.

During the year ended May 31, 2022, the Company recorded share-based compensation expense of \$114,405 (2021 - \$2,240,873) relating to RSUs vesting through the period. The total compensation cost not yet recognized related to RSUs granted is approximately \$5,367 (2021 - \$120,923) and will be recognized over the remaining average vesting period of 1.6 years (2021 - 0.6 year).

12. General and administrative:

	2022	2021
Salaries and payroll	\$ 3,414,618	\$ 2,384,524
Other SG&A expenses	900,411	876,855
Professional	606,038	443,782
Depreciation	97,981	30,395
	<u>\$ 5,019,048</u>	<u>\$ 3,735,556</u>

13. 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 Chairman, Chief Executive Officer, and President and Chief Financial Officer.

	2022	2021
Salaries and benefits	\$ 450,000	\$ 291,994
Share-based payments	353,842	331,124
Consulting fees	337,346	237,821
	<u>\$ 1,141,188</u>	<u>\$ 860,939</u>

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13. Related party transactions and balances (continued):

(b) Transactions with controlling shareholders:

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

	2022	2021
Consulting fees paid to companies controlled by a director and a former director of the Company	\$ 71,440	\$ 75,616
Other fees and lease payments paid to companies controlled by a former director of the Company	135,059	42,772
	\$ 206,499	\$ 118,388

Other fees and lease payments paid to companies controlled by a former director of the Company include the Company's head-office lease which was effective on September 1, 2021 with a monthly payment of CAD \$11,737. As at May 31, 2022, the Company owes \$444,495 as total lease liabilities of the head-office lease.

As at May 31, 2022, \$121,299 (2021 - \$622,112) was included in due to related parties for consulting services and other overhead costs and in the ordinary course of business. These amounts bear no interest and are due on demand.

14. 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 May 31, 2022. The capital structure of the Company consists of its shareholders' equity.

The Company's primary uses of capital are to finance operations, 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.

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15. 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, 2022	Classification	Fair value level	Carrying value	Fair value
Financial assets not measured at fair value:				
Cash	Amortized cost	2	\$3,855,544	\$3,855,544
Accounts receivable	Amortized cost	2	74,846	74,846
Financial liabilities measured at fair value:				
Warrants liability	FVTPL	2	640,640	640,640
Financial liabilities not measured at fair value:				
Accounts payable and accrued liabilities	Amortized cost	2	555,756	555,756
Due to related parties	Amortized cost	2	121,299	121,299
Loans payable	Amortized cost	2	31,627	31,627
May 31, 2021	Classification	Fair value level	Carrying value	Fair value
Financial assets not measured at fair value:				
Cash	Amortized cost	2	\$ 832,047	\$ 832,047
Accounts receivable	Amortized cost	2	153,427	153,427
Financial liabilities measured at fair value:				
Warrants liability	FVTPL	2	4,573,585	4,573,585
Financial liabilities not measured at fair value:				
Accounts payable and accrued liabilities	Amortized cost	2	772,825	772,825
Due to related parties	Amortized cost	2	622,112	622,112
Loans payable	Amortized cost	2	33,189	33,189

16. 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.

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16. Risk management (continued):

(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 primarily 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.

17. Basic and diluted earnings (loss) per share:

	2022	2021
Net income (loss) attributable to the Company	\$ 484,939	\$ (14,257,039)
Basic weighted average common shares outstanding	75,749,502	66,075,537
Basic earnings (loss) per share	\$ 0.01	\$ (0.22)
	2022	2021
Net income (loss) attributable to the Company	\$ 484,939	\$ (14,257,039)
Diluted weighted average common shares outstanding	79,717,372	66,075,537
Diluted earnings (loss) per share	\$ 0.01	\$ (0.22)

For the year ended May 31, 2022, the effect of 12,650,959 warrants and broker warrants (2021 - 5,002,059 warrants and broker warrants, 7,080,000 RSUs and 200,000 options) have been excluded from the diluted calculation because this effect would be anti-dilutive.

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18. 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:

	2022	2021
Comprehensive income (loss) before income taxes	\$ 484,939	\$ 14,257,039
Basic statutory rate	27%	27%
Expected income tax expense (benefit)	\$ 130,934	\$ (3,849,401)
Change in unrecognized deductible temporary differences	1,154,024	1,129,727
Permanent differences	(1,410,717)	2,644,930
Statue rate differences	189,776	117,777
Other	(64,017)	(43,033)
	\$ -	\$ -

(b) Unrecognized deferred income tax assets:

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

	2022	2021
Non-capital losses	\$ 13,552,480	\$ 8,833,171
Financing fees	489,923	231,483
Other temporary differences	147,431	171,850
	\$ 14,189,834	\$ 9,236,504

As at May 31, 2022, the Company has non-capital loss carryforwards of \$7,596,473 (2021 - \$5,955,063) 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, 2022, the Company has U.S. non-capital loss carryforwards of \$5,956,007 (2021 - \$2,878,109) which may be carried forward to apply against future income tax for United States income tax purposes. These non-capital loss carryforwards can be carried forward indefinitely.

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19. Commitment and contingencies:

The Company may be subject to claims that arise in the ordinary course of business. Although management currently believes that resolving claims against the Company will not have a material adverse impact on the Company's financial position, these matters are subject to inherent uncertainties and management's view of these matters may change in the future.