Condensed Interim Consolidated Financial Statements
(Expressed in United States dollars)

CENTR BRANDS CORP.

For the three months ended August 31, 2023 and 2022
(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102 “Continuous Disclosure Obligations”, if an auditor has not performed a review of the interim financial statements, the financial statements must be accompanied by a notice indicating that they have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with standards established by CPA (Chartered Professional Accountants) Canada for a review of interim financial statements by an entity’s auditor.

CENTR BRANDS CORP.

Condensed Interim Consolidated Statements of Financial Position
(Unaudited – Expressed in United States dollars, unless otherwise stated)

	August 31, 2023	May 31, 2023
Assets		
Current assets:		
Cash	$ 1,219,106	$ 2,438,154
Accounts receivable	176,408	58,739
Inventories (note 3)	610,901	600,548
Prepaid expenses and other assets	244,958	224,215
	2,251,373	3,321,656
Property and equipment (note 4)	15,081	16,825
Right-of-use assets (note 5)	278,507	301,716
	$ 2,544,961	$ 3,640,197
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	$ 727,037	$ 728,264
Due to related parties (note 12)	86,405	88,140
Loans payable – current potion (note 7)	29,606	29,484
Lease liability – current portion (notes 5 and 12)	92,326	90,627
	935,374	936,515
Lease liability (notes 5 and 12)	206,554	230,282
Warrants liability (note 8)	301,086	1,549,382
	1,443,014	2,716,179
Shareholders' equity:		
Share capital (note 9)	25,128,250	25,116,070
Reserves (note 10)	1,738,135	1,648,274
Deficit	(25,764,438)	(25,840,326)
	1,101,947	924,018
	$ 2,544,961	$ 3,640,197

Subsequent event (note 16)

Commitment and contingencies (note 17)

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

Approved on behalf of the Board:

"David Young" Director

"Arjan Chima" Director

CENTR BRANDS CORP.

Condensed Interim Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)
(Unaudited – Expressed in United States dollars, unless otherwise stated)

For the three months ended August 31, 2023 and 2022

	2023	2022
Sales	$ 245,553	$ 328,694
Cost of sales	215,420	268,253
Gross profit	30,133	60,441
Expenses:		
General and administrative (note 11)	788,094	1,033,816
Marketing	338,670	337,820
Share-based compensation (note 10)	102,041	278,556
Loss from operations	1,198,672	1,589,751
Other income (expenses):		
Gain (loss) on revaluation of warrants liability (note 8)	1,248,296	(396,421)
Other	26,264	(104,782)
Net income (loss) and comprehensive income (loss)	$ 75,888	$(2,090,954)
Net income (loss) per share:		
Basic and diluted	$ 0.00	$ (0.03)

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

CENTR BRANDS CORP.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Unaudited - Expressed in United States dollars, unless otherwise stated)

For the three months ended August 31, 2023 and 2022

		Share capital Common shares		Reserves				
	Notes	Shares	Amount	DSUs/PSUs	RSUs/Options	Total	Deficit	Total
Balance, May 31, 2023		115,673,367	$ 25,116,070	$ 1,109,475	$ 538,799	$ 1,648,274	$ (25,840,326)	$ 924,018
Share-based compensation	9, 10	55,574	12,180	89,861	-	89,861	-	102,041
Income for the period		-	-	-	-	-	75,888	75,888
Balance, August 31, 2023		115,728,941	$ 25,128,250	$ 1,199,336	$ 538,799	$ 1,738,135	$ (25,764,438)	$ 1,101,947

		Share capital Common shares		Reserves				
	Notes	Shares	Amount	DSUs/PSUs	RSUs/Options	Total	Deficit	Total
Balance, May 31, 2022		95,492,731	$ 21,462,236	$ -	$ 1,317,809	$ 1,317,809	$ (18,685,518)	$ 4,094,527
Share-based compensation		37,067	14,402	-	790	790	-	15,192
Loss for the period		-	-	-	-	-	(2,090,954)	(2,090,954)
Balance, August 31, 2022		95,529,798	$ 21,476,638	$ -	$ 1,318,599	$ 1,318,599	$ (20,776,472)	$ 2,018,765

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

CENTR BRANDS CORP.

Condensed Interim Consolidated Statement of Cash Flows
(Unaudited – Expressed in United States dollars, unless otherwise stated)

Three months ended August 31, 2023 and 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Income (loss) for the period	$ 75,888	$ (2,090,954)
Adjustments for non-cash items:		
Depreciation	26,549	30,414
Share-based compensation	102,041	15,192
Revaluation of warrants	(1,248,296)	396,422
Interest expense	5,669	-
Foreign exchange	122	(1,193)
Changes in non-cash working capital:		
Accounts receivable	(117,669)	(116,427)
Inventory	(10,353)	144,586
Prepaid expense	(20,743)	(62,230)
Accounts payable and accrued liabilities	(1,227)	(35,013)
Due to related parties	(1,735)	239,749
Net cash used in operating activities	(1,189,754)	(1,479,454)
Financing activities:		
Payment of lease liability	(27,698)	(23,224)
Net cash used in financing activities	(27,698)	(23,224)
Investing activities:		
Purchase of property and equipment	(1,596)	-
Net cash used in investing activities	(1,596)	-
Decrease in cash	(1,219,048)	(1,502,678)
Cash, beginning of period	2,438,154	3,855,544
Cash, end of period	$ 1,219,106	$ 2,352,866

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

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 dedicated to promoting holistic well-being with an offering of functional wellness beverages that support individuals in their pursuit of balanced and healthy lifestyles. By leveraging innovative food science and embracing consumer-centric strategies, CENTR empowers customers to prioritize their well-being and discover the benefits of wellness beverages. The Company produces CENTR CBD, a family of sparkling, low calorie CBD beverages; CENTR Instant, a family of on-the-go, adaptogen-based CBD powders; and CENTR Enhanced, a family of refreshing, ZERO calorie, non-CBD, nootropic and adaptogen sparkling waters incorporating a variety of science-backed ingredients.

2. Basis of presentation:

(a) Statement of compliance:

These condensed interim consolidated financial statements for the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, "Interim Financial Reporting". The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended May 31, 2023, which have been prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on October 26, 2023.

(b) Basis of measurement:

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

2. Basis of presentation (continued):

(b) Basis of measurement (continued):

These condensed interim consolidated financial statements follow the same accounting policies and methods of application as our most recent annual financial statements, except as described below, and should be read in conjunction with the annual audited financial statements of the Company for the year ended May 31, 2023.

(c) Basis of consolidation:

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, CENTR Brands USA LLC, CENTR Enhanced USA LLC and CENTR Enhanced Beverage Corp. 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. Condensed interim 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 condensed interim 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 revenue and expenses that are not readily apparent from other sources, during the reporting period. These estimates and associated assumptions are based on historical experience and other relevant factors. Actual results may differ from these estimates.

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 if the revision affects only that period, or in the period of the revision and in any future periods affected.

Significant judgment, estimates and assumptions that have the most significant effect on the amounts recognized in the Company's condensed interim consolidated financial statements are as follows:

2. Basis of presentation (continued):

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

(*i*) Inventories:

In determining the lower of cost and net realizable value of inventories, the Company estimates the likelihood that inventory carrying values will be affected by expected selling prices or demand for products which could make inventory on hand recoverable at less than the recorded value. The Company performs periodic reviews to assess the impact of the change in the expected sales volume and the expected selling prices on the net realizable value of inventories. Where it is determined that such changes have occurred and will have a negative impact on the value of inventory on hand, an appropriate excess and obsolete inventory provision is made.

(*ii*) Share-based payments:

To calculate the fair value of stock options, restricted share units and warrants, the Company uses the Black-Scholes option pricing model. This inherently requires management to make various estimates and assumptions, primarily in relation to the expected volatility, stock option life and forfeiture rates. Changes in these estimates could cause a significant change in the share-based compensation expense and share-based payment reserve in a given period.

Other significant estimates in connection with these condensed interim consolidated financial statements include the estimated useful life of right-of-use assets, the amount of sales returns, amount recorded as accrued liabilities, deferred income taxes and provisions, and the incremental borrowing rate and extension terms used to measure lease liabilities. Other significant judgements in connection with these condensed interim 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 condensed interim consolidated 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 condensed interim 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. The resulting foreign currency gains or losses are recognized in these consolidated statements of net income (loss) and comprehensive income (loss).

(Unaudited – Expressed in United States dollars, unless otherwise stated)

3. Inventories:

A breakdown of inventory is as follows:

	August 31, 2023	May 31, 2023
Raw materials	$ 224,667	$ 202,248
Finished Goods	386,234	398,300
	$ 610,901	$ 600,548

The cost of inventories recognized as an expense and included in cost of sales was $155,475, which included an excess and obsolete inventory provision of $21,458 related to finished goods.

4. Property and equipment:

	Cost	Accumulated amortization	Aug. 31, 2023 Net book value	May 31, 2023 Net book value
Computer equipment	$ 54,785	$ 40,003	$ 14,782	$ 16,426
Furniture and fixtures	2,037	1,738	299	399
	$ 56,822	$ 41,741	$ 15,081	$ 16,825

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

As at August 31, 2023, the Company's lease agreement three years remaining 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.

Right-of-use assets, May 31, 2023	$ 301,716
Depreciation	(23,209)
Right-of-use assets, August 31, 2023	$ 278,507

Lease liabilities have been measured by discounting future lease payments using a rate implicit in the lease or the Company's incremental borrowing rate.

(Unaudited – Expressed in United States dollars, unless otherwise stated)

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

Lease liabilities, May 31, 2023	$	320,909
Interest expense		5,669
Payments		(27,698)
Lease liabilities, August 31, 2023	$	298,879
Less: current portion of lease liabilities		92,326
Long term portion of lease liabilities	$	206,554

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be made as at August 31, 2023.

Less than one year	$	110,794
One to two years		110,794
Two to three years		110,794
Total	$	332,382

6. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities are as follows:

		August 31, 2023		May 31, 2023
Accounts payable	$	225,258	$	153,976
Accrued other expenses		501,779		574,288
	$	727,037	$	728,264

7. Loan payable:

		August 31, 2023		May 31, 2023
Canada Emergency Business Account	$	29,606	$	29,484
	$	29,606	$	29,484

(Unaudited – Expressed in United States dollars, unless otherwise stated)

7. Loan payable (continued):

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 January 2024. Repaying the balance of the loan on or before January 19, 2024 will result in loan forgiveness of up to CAD $10,000. There is an optional extension period from January 19, 2024 to December 31, 2026. If the extension is taken, then there is 5% interest for the extension period.

8. Warrants liability:

	Number of warrants	Weighted average exercise price (CAD)	Expiry date
Outstanding, May 31, 2023	33,677,215		
Issued	-	$ -	
Outstanding, August 31, 2023	33,677,215		

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 August 31, 2023, the warrants liability was valued with a fair value of $301,086 (May 31, 2023 – $1,549,382).

9. 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 Amount
May 31, 2023	115,673,367	$ 25,116,070
Common shares issuances:		
Share-based compensation	55,574	12,180
August 31, 2023	115,728,941	$ 25,128,250

On August 31, 2023, there were 116,165,400 common shares issued (May 31, 2023 – 116,109,826) and 115,728,941 common shares outstanding (May 31, 2023 – 115,673,367).

(Unaudited – Expressed in United States dollars, unless otherwise stated)

10. 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 condensed interim 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, 2023	200,000	$ 0.41	November 2023
Granted	-	-	
Outstanding, August 31, 2023	200,000	$ 0.41	

The weighted average contractual life of the outstanding options as at August 31, 2023 was 0.2 years (May 31, 2023 – 0.4 years). The total number of options exercisable as at August 31, 2023 was 200,000 (May 31, 2023 – 200,000).

(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.

(Unaudited – Expressed in United States dollars, unless otherwise stated)

10. Reserves (continued):

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

The fair value of the grant of the RSUs is recognized in the condensed interim 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 August 31, 2023, this represented 11,616,540 common shares.

	Number of RSUs	Expiry date
Outstanding, May 31, 2023	35,000	
Granted	-	
Outstanding, August 31, 2023	35,000	

RSUs have an expiry date of five years from the date of issuance. As at August 31, 2023, the weighted average remaining life of the RSUs outstanding is 1.8 years (May 31, 2023 – 2.0 years).

(c) Share-based compensation - deferred share units ("DSUs"):

The Company operates an equity-settled, DSUs 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 DSUs is recognized in the condensed interim 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 DSUs granted. The total expense is recognized immediately on the date of issuance. The maximum number of common shares reserved for issuance, in the aggregate, under the Company's DSU 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.

	Number of DSUs	Expiry date
Outstanding, May 31, 2023	2,352,319	
Granted	-	
Outstanding, August 31, 2023	2,352,319	

(Unaudited – Expressed in United States dollars, unless otherwise stated)

10. Reserves (continued):

(d) Share-based compensation - performance share units (“PSUs”):

The Company operates an equity-settled, PSUs 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 PSUs is recognized in the condensed interim 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 PSUs granted. The total expense is recognized immediately on the date of issuance. The maximum number of common shares reserved for issuance, in the aggregate, under the Company’s PSU 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.

	Number of PSUs	Expiry date
Outstanding, May 31, 2023	3,000,000	
Granted	-	
Outstanding, August 31, 2023	3,000,000	

In January 2023, the Company granted PSUs to two officers of the Company. The PSUs have vesting conditions subject to the achievement of meeting certain key performance indicators set forth by the Board of Directors. Upon satisfaction of the vesting conditions, the PSUs entitle the holder to one common share of the Company for each unit of the PSU.

11. General & administrative:

	Three months ended August 31, 2023	Three months ended August 31, 2022
Salaries and payroll	$ 508,922	$ 675,898
Other SG&A expenses	151,337	204,828
Professional	101,286	122,676
Depreciation	26,549	30,414
	$ 788,094	$ 1,033,816

(Unaudited – Expressed in United States dollars, unless otherwise stated)

12. 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, and President and Chief Financial Officer.

	Three months ended August 31, 2023	Three months ended August 31, 2022
Salaries and benefits	$ 81,250	$ 81,250
Share-based payments	89,861	263,364
Consulting fees	41,250	10,417
	$ 212,361	$ 355,031

Consulting fees were paid to a consulting corporation controlled by a former Chief Executive Officer and director of the Company, in lieu of severance, as part of the settlement agreement entered into in October 2022.

(b) Transactions with controlling shareholders:

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

	Three months ended August 31, 2023	Three months ended August 31, 2022
Consulting fees paid to companies controlled by directors and a former director of the Company	$ -	$ 17,454
Other fees and lease payments paid to companies controlled by a former director of the Company	26,359	27,938
Director fees paid to directors of the Company	22,500	-
	$ 48,859	$ 45,392

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 of August 31, 2023, the Company owes $298,879 (May 31, 2023 - $320,909) as total lease liabilities of the head-office lease.

(Unaudited – Expressed in United States dollars, unless otherwise stated)

12. Related party transactions and balances (continued):

(b) Transactions with controlling shareholders (continued):

As at August 31, 2023, $86,405 (May 31, 2023 - $88,140) was included in due to related parties for other overhead costs in the ordinary course of business. These amounts bear no interest and are due on demand.

13. 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 three-months ended August 31, 2023. 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.

14. 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.

August 31, 2023	Classification	Fair value level	Carrying value	Fair value
Financial assets not measured at fair value:				
Cash	Amortized cost	2	$1,219,106	$1,219,106
Accounts receivable	Amortized cost	2	176,408	176,408
Financial liabilities measured at fair value:				
Warrants liability	FVTPL	2	301,086	301,086
Financial liabilities not measured at fair value:				
Accounts payable and accrued liabilities	Amortized cost	2	727,037	727,037
Due to related parties	Amortized cost	2	86,405	86,405
Loan payable	Amortized cost	2	29,606	29,606

15. 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 carrying value of the Company's cash and accounts receivable, totaling $1,395,514, represents the Company's maximum exposure to credit risk. The Company does not believe it has significant credit risk associated with its cash as such funds are on deposit with highly rated financial institutions and thus credit risk arises principally from the Company's receivables from customers. The Company's exposure to credit risk on accounts receivable is influenced mainly by the individual characteristics of each debtor. The Company has a number of customers with small accounts receivable balances and is therefore able to monitor credit risk on an individual account basis.

(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 raise funds from its existing shareholders or 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.

16. Subsequent event:

Subsequent to the quarter-end, Southern Glazer's Wine and Spirits ("SGWS" or "Southern") announced that they will be exiting the CBD beverage distribution business and, as such, provided their notice of termination relating to their CBD distribution agreement with CENTR Brands USA LLC. The Company has already commenced the process of transitioning Southern's accounts to other distributors.

17. 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.