

**CENTR BRANDS CORP.**

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January 15, 2020

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**MANAGEMENT DISCUSSION & ANALYSIS**

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*This Management's Discussion & Analysis ("MD&A") should be read in conjunction with the condensed interim consolidated financial statements of CENTR Brands Corp. (the "Company") for the six months ended November 30, 2019 and related notes, which 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 MD&A should be also be read in conjunction with the annual financial statements for the year ended May 31, 2019, which have been prepared in accordance with IFRS as issued by the IASB. All amounts in the financial statements and this MD&A are expressed in Canadian dollars, unless otherwise indicated.*

*Further information about the Company, its operations and other continuous disclosure is available through filings with the securities regulatory authorities in Canada under the Company's profile at [www.sedar.com](http://www.sedar.com).*

**FORWARD LOOKING INFORMATION**

This MD&A contains certain forward-looking statements and information relating to (the "Company") that are based on the beliefs of management of the Company as well as assumptions made by and information currently available to the Company. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or management of the Company, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued development of the Company's beverage. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations of the party making the statement and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to: the performance of the Company's business and operations; the intention to grow the business and operations of the Company; applicable laws, regulations and any amendments thereof; the competitive and business strategies of the Company; the general economic, financial market, regulatory and political conditions in which the Company operates; risks associated with economic conditions, dependence on management; and other risks described in this MD&A and described from time to time in documents filed by the Company with Canadian securities regulatory authorities. Many factors could cause the actual results, performance or the Company's achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

The forward-looking statements contained herein are based on certain key expectations and assumptions, including, but not limited to, expectations and assumptions concerning the success of the operations of the Company. Although the Company believes that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements, because no assurance can be given that they will prove to be correct. Since forward-looking statements address

future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: the risks described above and other factors beyond the Company's control. Consequently, all forward-looking statements made in this MD&A are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company. The cautionary statements contained or referred to in this MD&A should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or persons acting on its behalf may issue. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law.

## **Overview**

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The Company was formed under the British Columbia Business Corporations Act ("BCBCA") on September 26, 2012 upon completion of the Amalgamation pursuant to the Plan of Arrangement with Ravencrest Resources Inc. ("Ravencrest"), a CNSX listed company, under the terms of an Arrangement Agreement among Ravencrest, River Wild Exploration Inc. ("Former River Wild"), a private British Columbia company, and 0943173 B.C. Ltd. ("SubCo"), a wholly-owned subsidiary of Ravencrest, pursuant to which the parties agreed to complete a plan of arrangement under sections 288 to 299 of the BCBCA whereby Former River Wild and SubCo would amalgamate to form the Company (the "Amalgamation"). The Arrangement was approved by the Ravencrest shareholders on August 9, 2012 and final court approval from the Supreme Court of British Columbia to the Arrangement was obtained on August 14, 2012.

On April 1, 2019 the Company completed the acquisition of all of the share capital of CBD Lifestyle Corp. (the "Transaction"), which was incorporated under the laws of the Province of Ontario on September 17, 2018. Prior to the acquisition, CBD Lifestyle Corp. was an operational entity. In connection with the Transaction, the Company changed its name from River Wild Exploration Inc. to CENTR Brands Corp. Today, the Company is focused on the creation and launch of a range of non-alcoholic beverages, including a global brand for the cannabidiol (CBD) infused beverage industry.

The Company's first product, called "CENTR", is a sparkling, low-calorie, CBD beverage that the Company launched in the United States in the summer of 2019. The Company expects to launch further projects over the course of the next year. The Company is led by Chief Executive Officer and Director Joseph Meehan, with Arjan Chima as CFO and Director and Paul Meehan and Anton Drescher as fellow Directors.

## **Overall Performance**

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As of today's date, the Company has continued its test marketing of CENTR in the U.S. West Coast sales region. To support sales development and growth, the Company has built a team of five sales representatives based in California and Arizona. The Company expects to continue to drive national consumer demand and interest for CENTR in fiscal 2020, expanding its sales footprint nationally as profitable sales dictate.

Overall sales performance in the next year continues to be strongly correlated to clarification of a national regulatory structure for CBD-infused beverages in the U.S. As of today's date, the U.S. Food & Drug Administration (the "FDA") continues to evaluate the regulatory frameworks that apply to CBD-related products, including those that are intended for non-drug uses. Other important issues include determining how and when the FDA will provide guidance on a national framework for CBD regulation. The FDA has been clear in its public guidance that there is a need for further study and high quality, scientific information about the safety and potential uses of CBD.

## Discussion of Operations

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The Company's initial beverage product, CENTR, commenced sales in fiscal Q1 2020. During this period, the Company both focused on and used the proceeds of the financings that it has completed to date for (i) the continued development of the CENTR brand, (ii) experiential marketing activations involving the CENTR brand, (iii) growth of already-established sales and marketing team on the U.S. West Coast, (iv) continued introduction of the CENTR brand concept and product to potential distribution and retail sales partners in the U.S., and (v) further production of CENTR.

Overall success and future sales of the CENTR-branded CBD beverage – both regionally and nationally in the U.S. – strongly depends on several factors, including (i) timely dissemination of a positive national regulatory framework for CBD beverages by the FDA (please see “Overall Performance” above), and (ii) continued development of a sizeable and effective distribution channel for CENTR, both currently and thereafter.

## Summary of Quarterly Results

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Description	Three months ended Nov 30, 2019	Three months ended Aug 31, 2019	Three months ended May 31, 2019	Three months ended Feb 28, 2019	Period of Sep 17, 2018 to Nov 30, 2018
<i>Inventory</i>	\$640,978	\$752,947	\$ -	\$ -	\$ -
<i>Revenue</i>	160,234	19,119	-	-	-
<i>Net and comprehensive loss for the period</i>	(944,803)	(678,450)	(2,645,389)	(415,600)	(66,493)
<i>Net loss per share</i>	(0.02)	(0.01)	(0.09)	(0.31)	(0.05)

Sales of the initial beverage product CENTR commence in August 2019 and sales increased for the three months ended November 30, 2019 as the Company continued to build retail distribution opportunities.

Net and comprehensive loss for the three months ended May 31, 2019 was significantly higher than other quarters as a result of the following:

- 1) The acquisition of CBD Lifestyle Corp. on April 1, 2019 resulted in listing expenses of \$1,109,089.
- 2) Expenses related to the marketing launch of CENTR in the United States of \$267,451.
- 3) Stock options issued to employees and directors resulted in the Company incurring a share-based compensation expense of \$458,358.

## Results of Operations

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### *For the three-month period ended November 30, 2019*

The Company incurred a net loss and comprehensive loss of \$944,803 for the three-month period.

### **Revenue**

Sales for the three-month period was \$160,234 as the Company's initial beverage product, CENTR, continued to build retail distribution opportunities. Sales had not yet commenced for the period of September 17, 2018 to November 30, 2018.

## **Expenses**

### *General and Administrative*

The Company incurred \$939,957 in general and administrative costs for the three-month period and significant amounts include the following:

Salaries and benefits of \$416,325 resulting from the hiring of one new employee (Sales Division Manager) and continued employment of seven employees. \$69,023 in bonuses were accrued for the period.

Consulting fees of \$264,364 resulting from the continued development of the Company's marketing strategy and the CENTR brand.

The Company incurred \$66,493 in general and administrative costs for the period of September 17, 2018 to November 30, 2018. This included \$34,212 in audit and legal fees and \$21,000 in consulting fees.

### *Marketing and promotion*

During the three-month period, the Company incurred \$107,761 in marketing and promotion expenses for sponsorships, point of sale material, branded merchandise and experiential samples.

The Company did not incur any marketing and promotion expenses during the period of September 17, 2018 to November 30, 2018.

### *Share-based compensation*

During the three-month period, the Company recorded a share-based compensation expense of \$5,212. The total number of options exercisable at November 30, 2019 was 4,825,000.

As at November 30, 2019, the total compensation cost not yet recognized related to options granted is approximately \$22,480 and will be recognized over the remaining average vesting period of 2.4 years.

The Company did not record any share-based compensation expenses during the period of September 17, 2018 to November 30, 2018.

### ***For the six-month period ended November 30, 2019***

The Company incurred a net loss and comprehensive loss of \$1,623,253 for the six-month period.

## **Revenue**

Sales for the six-month period was \$179,353 as the Company's initial beverage product, CENTR, commenced sales in August 2019.

## **Expenses**

### *General and Administrative*

The Company incurred \$1,580,382 in general and administrative costs for the six-month period and significant amounts include the following:

Salaries and benefits of \$692,192 resulting from the hiring of four new employees (National Account Manager, two Sales Division Managers and General Counsel) and continued employment of three employees. \$69,023 in bonuses were accrued for the period.

Consulting fees of \$488,975 resulting from the private placements discussed herein, negotiation of the transaction with CBD Lifestyle Corp. and the continued development of the Company's marketing strategy and the CENTR brand.

The Company incurred \$66,493 in general and administrative costs for the period of September 17, 2018 to November 30, 2018. This included \$34,212 in audit and legal fees and \$21,000 in consulting fees.

#### *Marketing and promotion*

During the six-month period, the Company incurred \$149,954 in marketing and promotion expenses for sponsorships, point of sale material, branded merchandise and experiential samples.

The Company did not incur any marketing and promotion expenses during the period of September 17, 2018 to November 30, 2018.

#### *Share-based compensation*

During the six-month period, the Company recorded a share-based compensation expense of \$10,424. The total number of options exercisable at November 30, 2019 was 4,825,000.

The Company did not record any share-based compensation expenses during the period of September 17, 2018 to November 30, 2018.

### **Liquidity and Capital Resources**

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As of November 30, 2019, the Company had a cash position of \$148,348.

Working capital as of November 30, 2019 was \$678,527 largely attributable to the cash generated from equity financings from the prior period. Operating activities are expected to generate significant revenue in 2020 and beyond. The Company expects that continuing and expanding sales of its beverage will be sufficient to maintain the Company's capacity to meet planned growth. Despite this, and due largely to the costs of the development and launch of our initial beverage and related branding, the Company has limited capital resources and may have to also rely upon the sale of equity and/or debt securities for cash required for acquisitions and to fund the general and administration expenses of the Company. The Company does not presently engage in any investing activities.

### **Transactions with Related Parties**

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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 Chief Financial Officer.

The Company entered into certain transactions with key management personnel during the three-month period ended November 30, 2019 as follows:

	Six months ended Nov. 30, 2019	Three months ended Nov. 30, 2019
Salaries and benefits	\$ 229,500	\$ 114,750

The Company incurred the following transactions with companies having directors and officers in common, including Meehan Ideas Inc., MPM&L Joint Venture and Harbour Pacific Capital Corporation:

	Six months ended Nov. 30, 2019	Three months ended Nov. 30, 2019
Consulting fees paid to companies controlled by directors of the Company	\$ 405,000	\$ 202,500
Consulting fees paid to companies controlled by directors of the Company	59,069	20,495
	\$ 464,069	\$ 222,995

As at November 30, 2019, \$86,762 was included in due to related parties for other overhead costs and office rent rendered by Meehan Ideas Inc., the Chief Executive Officer and MPM&L Joint Venture, in the ordinary course of business. These amounts bear no interest and are due on demand.

## Financial Instruments

### *Fair Value of Financial Instruments*

The fair value of cash and accounts payable and accrued liabilities approximates their carrying value due to their immediate or short-term nature, unless otherwise noted.

### *Fair Value Hierarchy*

Financial instruments recorded at fair value on the Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The fair value of cash is measured using a level 1 technique.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

### *Credit Risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is exposed to credit risk. The Company reduces credit risk on cash by placing these instruments with institutions of high credit worthiness. As at November 30, 2019, management of the Company believes the Company's credit risk is minimal.

### *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 operating results and financial position of the Company are reported in Canadian dollars. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the Canadian dollar. The results of the Company's operations are subject to currency transaction and translation risks.

The Company's main risk is associated with fluctuations in U.S. dollars as the Company holds cash in Canadian dollars and U.S. dollars. Assets and liabilities are translated based on the foreign currency translation policy.

### *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 is exposed to the risk that the value of financial instruments will change due to movement in market interest rates. The Company does not hold interest-bearing debt with long-term maturities and therefore does not believe that interest rate risk is significant. The Company does not use derivative instruments to reduce interest rate risk as management of the Company believes that the likely financial impact of interest rate changes does not justify using derivatives.

### *Liquidity Risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with the Company's financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities are current. The Company addresses liquidity risk through equity financing obtained through the sale of common shares and the exercise of warrants and options.

## **Directors and Officers**

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The Company's Board of Directors is as follows:

**Paul F. Meehan**  
**Joseph E. Meehan**  
**Arjan J. Chima**  
**Anton J. Drescher**

The Company's officers are:

**Joseph E. Meehan** *President and Chief Executive Officer*  
**Arjan J. Chima** *Chief Financial Officer and Secretary*

## Share Capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value. As of January 15, 2020, 59,911,200 common shares were issued and outstanding.

As of January 15, 2020, the following warrants were outstanding:

Expiry date	Number of warrants	Exercise price
March 29, 2020	425,600	\$ 1.00

As of January 15, 2020, the following stock options were outstanding:

Expiry date	Number of stock options	Weighted average exercise price
May 1, 2024	5,100,000	\$ 1.00

## Changes in Accounting Policies

### *New or Revised Standards and Amendments to Existing Standards Not Yet Effective*

IFRS 16, Leases ("IFRS 16"), was issued in January 2016, replacing IAS 17, Leases ("IAS 17"). IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than 12-months, unless the underlying asset is of low value. A lessee will be required to recognize a right-of-use asset, representing its right to use the underlying asset, and 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.

IFRS 16 was adopted by the Company effective June 1, 2019 under the modified retrospective approach. The Company identified a lease contract related to a vehicle, for which recognition changed under IFRS 16. Management has recognized a right-of-use asset and lease liability related to a vehicle lease on adoption of IFRS 16, with no material impact to deficit on transition.

### **Changes in Accounting Policies**

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Subsequent to the quarter-end, the Company passed a resolution which gave eligible directors, officers and employees the opportunity to exchange some or all of their outstanding options granted under the Company's 2018 Stock Option Plan for restricted share units granted under the Company's 2019 Restricted Stock Unit Plan. The only option eligible to be exchanged are those options with an exercise price of at least \$1.00 per share, whether vested or unvested, for an equal number of RSUs.