Interim Financial Statements of

WESTRIDGE RESOURCES INC.

January 31, 2018

Expressed in Canadian Dollars

(Unaudited)

WESTRIDGE RESOURCES INC.
Interim Statements of Financial Position
Expressed in Canadian dollars
(Unaudited)

	Note	January 31, 2018	July 31, 2017
		$	$
ASSETS			
Current			
Cash		1,731,816	197,126
Receivables	5	10,782	6,518
Loan receivable	6	2,400,000	-
Prepaid expenses and deposits		31,250	-
Total current assets		4,173,848	203,644
Exploration and evaluation assets	7	-	50,000
Total assets		4,173,848	253,644
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	12,165	23,152
Due to related parties	9	63	705
Total current liabilities		12,228	23,857
SHAREHOLDERS' EQUITY			
Share capital	10	9,459,925	5,291,345
Reserves	10	1,811,181	1,515,029
Common stock subscribed	15	35,000	-
Deficit		(7,144,486)	(6,576,587)
Total shareholders' equity		4,161,620	229,787
Total liabilities and shareholders' equity		4,173,848	253,644

Going concern (Note 2)
Subsequent events (Note 15)

On behalf of the Board of Directors:

"Chris Cooper" Director *"Michael Young"* Director

The accompanying notes are an integral part of these interim financial statements.

WESTRIDGE RESOURCES INC.
Interim Statements of Loss and Comprehensive Loss
Expressed in Canadian dollars
(Unaudited)

	Note	Three months ended January 31, 2018	Three months ended January 31, 2017	Six months ended January 31, 2018	Six months ended January 31, 2017
		$	$	$	$
Expenses					
Accounting and audit		14,554	1,425	31,597	3,200
Consulting fees	9	166,500	16,500	191,987	22,500
Expense recovery		-	(82,702)	-	(82,702)
Finance charges		3,103	-	3,103	3,103
Management fees	9	60,000	17,410	90,000	21,910
Office and miscellaneous		26,171	3,483	28,203	3,511
Share-based payments		42,402	332,826	149,488	332,826
Shareholder communications		1,250	2,500	1,250	2,500
Transfer agent and filing fees		10,504	655	26,463	3,312
Loss before other income		(324,484)	(292,097)	(522,091)	(310,160)
Other income (expense)					
Interest income		4,192	-	4,192	-
Impairment of option on mineral property	7	(50,000)	-	(50,000)	-
Net and comprehensive loss		(370,292)	(292,097)	(567,899)	(310,160)
Basic and diluted loss per common share		(0.01)	(0.01)	(0.01)	(0.01)
Weighted average number of common shares outstanding, basic and diluted		41,671,414	25,575,978	38,583,663	23,828,506

The accompanying notes are an integral part of these interim financial statements.

WESTRIDGE RESOURCES INC.
Interim Statement of Changes in Shareholders' Equity
Expressed in Canadian dollars
(Unaudited)

	Number of Common shares	Amount	Reserves	Share subscription advances	Deficit	Shareholders' Equity
		$	$	$	$	$
July 31, 2016	23,639,021	4,363,325	879,921	-	(5,822,073)	(578,827)
Share subscription advances	-	-	-	155,000	-	155,000
Share issuance	400,000	20,000	-	-	-	20,000
Shares for debt issuance	9,500,000	475,000	-	-	-	475,000
Share based payments	-	-	332,826	-	-	332,826
Loss for the period	-	-	-	-	(310,160)	(310,160)
January 31, 2017	33,539,021	4,858,325	1,212,747	155,000	(6,132,233)	93,839

	Number of Common Shares	Amount	Reserves	Common Stock Subscribed	Deficit	Shareholders' Equity
		$	$	$	$	$
July 31, 2017	35,499,021	5,291,345	1,515,029	-	(6,576,587)	229,787
Shares issued upon the exercise of options at $0.10 per share	75,000	7,500	-	-	-	7,500
Shares issued upon the exercise of options at $0.17 per share	600,000	102,000	-	-	-	102,000
Shares issued upon the exercise of options at $0.25 per share	100,000	25,000	-	-	-	25,000
Shares issued upon the exercise of warrants at $0.10 per share	400,000	40,000	-	-	-	40,000
Shares issued upon the exercise of warrants at $0.35 per share	1,292,000	452,200	-	-	-	452,200
Share units issued for cash at $0.35 per unit	11,244,737	3,935,658	-	-	-	3,935,658
Share issuance costs paid:						
- in cash	-	(247,114)	-	-	-	(247,114)
- in warrants	-	(290,031)	290,031	-	-	-
Reallocation of share-based payments on exercise of options	-	125,553	(125,553)	-	-	-
Reallocation of fair value of broker's warrants exercised	-	17,814	(17,814)	-	-	-
Share-based payments	-	-	149,488	-	-	149,488
Common stock subscribed	-	-	-	35,000		35,000
Loss for the period	-	-	-	-	(567,899)	(567,899)
January 31, 2018	49,210,758	9,459,925	1,811,181	35,000	(7,144,486)	4,161,620

WESTRIDGE RESOURCES INC.
Interim Statement of Cash Flows
Expressed in Canadian dollars
(Unaudited)

	Note	January 31, 2018	January 31, 2017
		$	$
Cash flow provided by (used in)			
Operating activities			
Net loss for the period		(567,899)	(310,160)
Adjustment for non-cash items			
Accrued interest		-	3,103
Share-based payments		149,488	332,826
Impairment of option on mineral property		50,000	-
Expense recovery		-	(82,702)
Changes in non-cash operating working capital items:			
Receivables		(4,264)	(1,643)
Prepaid expenses and deposits		(31,250)	-
Accounts payable and accrued liabilities – unrelated		(10,987)	10,160
Accounts payable and accrued liabilities – related		(642)	22,177
Net cash used in operations		(415,554)	(26,239)
Investing activities			
Loan receivable		(2,400,000)	-
Net cash used for investing activities		(2,400,000)	-
Financing activities			
Subscription advances		35,000	155,000
Proceeds from loans - related		50,000	-
Repayment of loans - related		(50,000)	-
Proceeds received from share issuances		4,562,358	20,000
Share issuance costs		(247,114)	-
Net cash provided by financing activities		4,350,244	175,000
Increase in cash in the period		1,534,690	148,761
Cash, beginning of period		197,126	11
Cash, end of period		1,731,816	148,772

Non-cash investing and financing activities			
Issuance of warrants for finance fees		290,031	-

The accompanying notes are an integral part of these interim financial statements.

1. Nature and continuance of operations

Westridge Resources Inc. (the "Company") was incorporated under the laws of the Province of British Columbia on July 31, 2007. The Company was focused on the acquisition, evaluation and exploration of mineral resource properties. On January 22, 2018, the Company entered into a definitive agreement with Harrys International Manufacturing Inc. ("HIMI") (the "Share Exchange Agreement"). Pursuant to the Share Exchange Agreement, Westridge will acquire all of the HIMI Shares in exchange for the issuance of Westridge Shares, cash and other non-cash consideration. (the "Acquisition"). HIMI's principal business is the sale and distribution of tobacco products exclusively to purchasers located outside of Canada and the United States.

Completion of the Acquisition resulted in a fundamental change under the policies of the CSE. The Acquisition is subject to the approval of the CSE. The Company anticipates the Acquisition will close on or before May 31, 2018. The Company formerly traded on the TSX Venture Exchange but was relegated to the NEX Exchange. On October 17, 2017, the Company requested that its shares be voluntarily delisted from the NEX Exchange and commenced trading on the Canadian Securities Exchange under the stock symbol WST. The head office, principal and registered address and records office of the Company are located at Suite 1518 - 800 West Pender Street, Vancouver, B.C V6C 2V6.

The financial statements were authorized for issue on March 15, 2018, by the Board of Directors of the Company.

2. Basis of preparation

Going Concern

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at January 31, 2018, the Company had not advanced any exploration and evaluation assets to commercial production and was not able to finance day to day activities through operations. Further, management plans to explore and evaluate mineral properties it has an option own that will require significant financial resources. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The Company's continuation as a going concern is dependent upon the successful results from its exploration and evaluation activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and/or private placement of common shares.

Management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive, or raise additional debt and/or equity capital. Management believes that the Company's capital resources should be adequate to continue operating and maintaining its business strategy during the year ending July 31, 2018. However, if the Company is unable to raise additional capital, management expects that the Company may need to curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures. These financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

As at January 31, 2018, the Company had cash of $1,731,816, a net working capital of $4,161,620 and an accumulated deficit of $7,144,486 since inception and expects to incur further losses.

3. Significant accounting policies

Statement of compliance

These interim financial statements 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 IAS 34, *Interim Financial Reporting*. The interim financial statements should be read in conjunction with the annual financial statements for the year ended July 31, 2017, which have been prepared in accordance with IFRS as issued by the IASB. The Company uses the same accounting policies and methods of computation as in the annual financial statements.

Basis of measurement

These interim financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates by a material amount. Matters that require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

<u>*Share-based payments*</u>

Share-based payments are determined using the Black-Scholes Option Pricing Model based on estimated fair values of all share-based awards at the date of grant. The Black-Scholes Option Pricing Model utilizes assumptions such as expected price volatility, the expected life of the option and the number of options that may be forfeited. Changes in these input assumptions may affect the fair value estimate.

<u>*Deferred taxes*</u>

The Company recognizes the deferred tax benefit of deferred tax assets to the extent their recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions from deferred tax assets.

(Expressed in Canadian dollars)

4. Adoption of new accounting pronouncements and recent developments

The following new standards, and amendments to standards and interpretations, are not yet effective for the current period and have not been applied in preparing these financial statements. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below:

i) *IFRS 9 – Financial Instruments: Classification and Measurement*

Applies to classification and measurement of financial assets and liabilities as well as derecognition of financial instruments. IFRS 9 will replace IAS 39. The effective date of IFRS 9 is January 1, 2018. The Company is assessing the impact of this new standard, if any, on the financial statements, but does not believe its adoption will have a material effect on these financial statements.

ii) *IFRS 16 - Leases*

Will replace IAS 17 *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is 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 standard will be effective for annual periods beginning on or after January 1, 2019, but earlier application is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. The Company is assessing the impact of this new standard, if any, on the financial statements, but does not believe its adoption will have a material effect on these financial statements.

5. Receivables

		January 31, 2018		July 31, 2017
Recoverable sales taxes	$	6,590	$	6,518
Accrued interest		4,192		-
	$	10,782	$	6,518

6. Loan receivable

On January 4, 2018, the Company entered into a loan agreement with Harrys International Manufacturing Inc. Pursuant to the agreement, the Company will advance up to $2,500,000. The loan bears interest at 5% per annum and matures on the earlier of January 4, 2019 or the termination of the Share Exchange Agreement described in Note 13(b). At January 31, 2018, the Company had advanced $2,400,000.

(Expressed in Canadian dollars)

7. Exploration and evaluation assets

On May 4, 2017, the Company entered into an option agreement (the "Agreement") to acquire a 100% right, title and interest in and to those certain mineral claims comprising the Black Jack Gold Property (the "Property"), located in the Kenora mining division of Ontario. Pursuant to the Agreement, the Company must pay up to $155,000 in cash and issue up to 150,000 common shares in various stages as follows:

i. Cash of $50,000 upon the Effective Date of the Agreement (paid);
ii. Cash of $5,000 after 12 months; and
iii Cash of $50,000 every 12 months thereafter for 2 years.
iv. Issuance of 50,000 common shares 12 months after the Effective Date of the Agreement
v. Issuance of 50,000 common shares every 12 months thereafter for 2 years

The Property has a 2% Net Smelter Return ("NSR") payable to the original vendors and the Company has the right to buy back one half or 1% of the NSR at any time by paying $1,000,000 to the original vendors.

During the six month period ended January 31, 2018, the Company abandoned the mineral property claim and recorded an impairment charge of $50,000.

8. Accounts payable and accrued liabilities

		January 31, 2018		July 31, 2017
Accounts payable	$	12,165	$	16,152
Accrued liabilities		-		7,000
	$	12,165	$	23,152

9. Related party transactions and balances

The Company incurred key management compensation as follows:

Six months ended January 31, 2018	2018	2017
Management fees accrued or paid to current CEO and director	$ 90,000	$ 20,000
Consulting fees paid to a director	-	22,500
Total management fees paid or accrued to related parties	$ 90,000	$ 42,500

As at January 31, 2018, trade payables due to officers and directors and companies controlled by them is $63 (July 31, 2017 – $705).

During the six month period ended January 31, 2018, the Company received a loan payable from a shareholder of $50,000 (July 31, 2017 – $nil). The loan was repaid on December 4, 2017. The advance was unsecured non-interest bearing and payable on demand.

On January 10, 2017, the Company entered into a consulting agreement with the President and CEO of the Company. Pursuant to the agreement, the Company will pay $120,000 per year for consulting services. The term of the agreement is for an initial period of one year and renews automatically for additional one-year periods unless either the Company or the CEO provide notice of non-renewal 30 days prior to the expiry of the term of the agreement.

On October 20, 2017, the Company granted 175,000 stock options exercisable at $0.35 per share for five years after the date of grant to the President and CEO of the Company.

On October 20, 2017, the Company granted 100,000 stock options exercisable at $0.35 per share for five years after the date of grant to a director of the Company.

10. Share capital and reserves

(a) Authorized:

Unlimited number of common shares without nominal or par value.

(b) Issued

As at January 31, 2018, there are 49,210,758 (July 31, 2017 – 35,499,021) issued and outstanding common shares.

(c) Share transactions

On September 7, 2017, the Company issued 25,000 shares of common stock upon the exercise of 25,000 stock options at $0.10 per share for proceeds of $2,500. At the time of issue, the options were valued at $1,900 and credited to reserves. Upon exercise, this amount was taken out of reserves and added to the value received for shares issued.

On October 17, 2017, the Company issued 100,000 shares of common stock upon the exercise of 100,000 stock options at $0.17 per share for proceeds of $17,000. At the time of issue, the options were valued at $16,162 and credited to reserves. Upon exercise, this amount was taken out of reserves and added to the value received for shares issued.

On November 28, 2017, the Company issued 400,000 shares of common stock upon the exercise of 400,000 stock options at $0.17 per share for proceeds of $68,000. At the time of issue, the options were valued at $64,648 and credited to reserves. Upon exercise, this amount was taken out of reserves and added to the value received for shares issued.

On December 4, 2017, the Company completed the first tranche of a non-brokered private placement of 3,082,165 units at a price of $0.35 per unit for gross proceeds of $1,078,758. Each Unit consists of one common share of the Company and one full share purchase warrant, each warrant entitling the holder thereof to purchase, for a period of 24 months from the date of issuance, one additional common share of the Company at a price of $0.50 per share. No value was attributed to the warrants as a component of the units. The Company paid cash finder's fees of $86,301 and issued 246,573 warrants with the same terms as the private placement as a finder's fee. The brokers' warrants were valued at $96,847 using a Black Scholes option pricing model, as the value of the services performed was not readily verifiable. The assumptions used in the model were as follows: risk free interest rate – 1.53%; expected life – 24 months; dividend nil and annualized volatility – 246%.

On December 6, 2017, the Company issued 40,000 shares of common stock upon the exercise of 40,000 share purchase warrants at $0.35 per share for proceeds of $14,000.

On December 8, 2017, the Company issued 50,000 shares of common stock upon the exercise of 50,000 share purchase warrants at $0.35 per share for proceeds of $17,500. At the time of issue, the warrants were issued to brokers as finders' fees for a private placement and were valued at $9,682 and credited to reserves. Upon exercise, this amount was taken out of reserves and added to the value received for shares issued.

On December 11, 2017, the Company issued 50,000 shares of common stock upon the exercise of 50,000 share purchase warrants at $0.35 per share for proceeds of $17,500.

On December 11, 2017, the Company issued 50,000 shares of common stock upon the exercise of 50,000 stock options at $0.10 per share for proceeds of $5,000. At the time of issue, the options were valued at $3,801 and credited to reserves. Upon exercise, this amount was taken out of reserves and added to the value received for shares issued.

On December 18, 2017, the Company issued 100,000 shares of common stock upon the exercise of 100,000 share purchase warrants at $0.35 per share for proceeds of $35,000.

10. Share capital and reserves (continued)

On December 19, 2017, the Company completed the second tranche of a non-brokered private placement of 6,289,072 units at a price of $0.35 per unit for gross proceeds of $2,201,175. Each Unit consists of one common share of the Company and one full share purchase warrant, each warrant entitling the holder thereof to purchase, for a period of 24 months from the date of issuance, one additional common share of the Company at a price of $0.50 per share. No value was attributed to the warrants as a component of the units. The Company paid cash finder's fees of $131,294 and issued 375,125 warrants with the same terms as the private placement as a finder's fee. The brokers' warrants were valued at $164,359 using a Black Scholes option pricing model, as the value of the services performed was not readily verifiable. The assumptions used in the model were as follows: risk free interest rate – 1.58%; expected life – 24 months; dividend nil and annualized volatility – 242%.

On December 19, 2018, the Company issued 50,000 shares of common stock upon the exercise of 50,000 share purchase warrants at $0.35 per share for proceeds of $17,500.

On December 21, 2017, the Company issued 5,000 shares of common stock upon the exercise of 5,000 share purchase warrants at $0.35 per share for proceeds of $1,750. At the time of issue, the warrants were issued to brokers as finders' fees for a private placement and were valued at $968 and credited to reserves. Upon exercise, this amount was taken out of reserves and added to the value received for shares issued.

On January 2, 2018, the Company issued 27,000 shares of common stock upon the exercise of 27,000 share purchase warrants at $0.35 per share for proceeds of $9,450. At the time of issue, the warrants were issued to brokers as finders' fees for a private placement and were valued at $5,228 and credited to reserves. Upon exercise, this amount was taken out of reserves and added to the value received for shares issued.

On January 2, 2018, the Company issued 100,000 shares of common stock upon the exercise of 100,000 stock options at $0.25 per share for proceeds of $25,000. At the time of issue, the options were valued at $22,880 and credited to reserves. Upon exercise, this amount was taken out of reserves and added to the value received for shares issued.

On January 4, 2018, the Company issued 100,000 shares of common stock upon the exercise of 100,000 stock options at $0.17 per share for proceeds of $17,000. At the time of issue, the options were valued at $16,162 and credited to reserves. Upon exercise, this amount was taken out of reserves and added to the value received for shares issued.

On January 5, 2018, the Company issued 100,000 shares of common stock upon the exercise of 100,000 share purchase warrants at $0.35 per share for proceeds of $35,000.

On January 9, 2018, the Company issued 440,000 shares of common stock upon the exercise of 400,000 share purchase warrants at $0.10 per share and 40,000 share purchase warrants at $0.35 per share for proceeds of $54,000.

On January 11, 2018, the Company issued 40,000 shares of common stock upon the exercise of 40,000 share purchase warrants at $0.35 per share for proceeds of $14,000.

On January 12, 2018, the Company completed the third tranche of a non-brokered private placement of 1,873,500 units at a price of $0.35 per unit for gross proceeds of $655,725. Each Unit consists of one common share of the Company and one full share purchase warrant, each warrant entitling the holder thereof to purchase, for a period of 24 months from the date of issuance, one additional common share of the Company at a price of $0.50 per share. No value was attributed to the warrants as a component of the units. The Company paid cash finder's fees of $21,098 and issued 60,280 warrants with the same terms as the private placement as a finder's fee. The brokers' warrants were valued at $28,825 using a Black Scholes option pricing model, as the value of the services performed was not readily verifiable.

(Expressed in Canadian dollars)

10. Share capital and reserves (continued)

The assumptions used in the model were as follows: risk free interest rate – 1.71%; expected life – 24 months; dividend nil and annualized volatility – 245%.

The Company incurred $8,421 in legal fees associated with the private placement, which have been charged to share capital and included as cost of issuance.

On January 16, 2018, the Company issued 50,000 shares of common stock upon the exercise of 50,000 share purchase warrants at $0.35 per share for proceeds of $17,500.

On January 17, 2018, the Company issued 130,000 shares of common stock upon the exercise of 130,000 share purchase warrants at $0.35 per share for proceeds of $45,500.

On January 22, 2018, the Company issued 200,000 shares of common stock upon the exercise of 200,000 share purchase warrants at $0.35 per share for proceeds of $70,000.

On January 24, 2018, the Company issued 300,000 shares of common stock upon the exercise of 300,000 share purchase warrants at $0.35 per share for proceeds of $105,000.

On January 29, 2018, the Company issued 10,000 shares of common stock upon the exercise of 10,000 share purchase warrants at $0.35 per share for proceeds of $3,500. At the time of issue, the warrants were issued to brokers as finders' fees for a private placement and were valued at $1,936 and credited to reserves. Upon exercise, this amount was taken out of reserves and added to the value received for shares issued.

On January 31, 2018, the Company issued 100,000 shares of common stock upon the exercise of 100,000 share purchase warrants at $0.35 per share for proceeds of $35,000.

(d) Share purchase warrants

The changes in warrants during the six months ended January 31, 2018 and year ended July 31, 2017 were as follows:

	January 31, 2018		July 31, 2017	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning of the period	2,304,000	$ 0.31	-	$ -
Warrants issued	11,926,715	0.50	2,304,000	0.31
Warrants exercised	(1,692,000)	0.29	-	-
Warrants outstanding, end of the period	12,538,715	$ 0.49	2,304,000	$ 0.31

A summary of the Company's outstanding warrants as at January 31, 2018 is as follows:

Number of warrants	Exercise price	Expiry date
212,000	$ 0.35	February 3, 2018
400,000	0.35	June 5, 2018
3,328,738	0.50	December 4, 2019
6,664,197	0.50	December 19, 2019
1,933,780	0.50	January 12, 2020
12,538,715	$ 0.49	

(Expressed in Canadian dollars)

10. Share capital and reserves (continued)

(e) Stock options

The Company has a stock option plan under which it is authorized to grant options to the Company's officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years with vesting determined by the board of directors.

On October 17, 2017, the Company granted 375,000 stock options exercisable at $0.35 per share for five years after the date of grant. The options vested upon grant.

On December 4, 2017, the Company granted 100,000 stock options to a consultant of the Company. The stock options are exercisable at $0.43 per share for five years after the date of grant. The options vested upon grant.

A summary of stock option transactions during the six months ended January 31, 2018 and year ended July 31, 2017 were as follows:

	January 31, 2018		July 31, 2017	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding, beginning of the period	2,790,000	$ 0.23	-	$ -
Granted	475,000	0.37	2,950,000	0.23
Exercised	(775,000)	0.17	(160,000)	0.10
Outstanding, end of the period	2,490,000	$ 0.28	2,790,000	$ 0.23

The weighted average trading price of the Company's shares at the time of exercise was $0.46.

The following stock options were outstanding and exercisable as at January 31, 2018:

Number of Options	Exercise price	Expiry date
275,000	$ 0.10	January 16, 2022
240,000	0.17	January 17, 2022
500,000	0.25	January 18, 2022
200,000	0.25	January 27, 2022
300,000	0.30	February 3, 2022
500,000	0.37	February 6, 2022
375,000	0.35	October 20, 2022
100,000	0.43	December 1, 2022
2,490,000	$ 0.28	

(Expressed in Canadian dollars)

10. Share capital and reserves (continued)

(f) Reserves

Reserves relates to stock options, agent's unit options, and compensatory warrants that have been issued by the Company. The Company uses the Black-Scholes valuation model to value stock options.

Share-based payments recognized and expensed during the six months ending January 31, 2018 was $149,488 (2017 - $332,826).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted or vested during the six months ending January 31, 2018 and 2017:

	January 31, 2018	January 31, 2017
Risk-free interest rate	1.70% - 1.72%	1.11%
Expected life of options	5 years	5 years
Annualized volatility	219%	133%
Dividend rate	-	-

(g) Loss per share

The calculation of basic and diluted loss per share for the three and six month periods ended January 31, 2018 was based on the weighted average number of common shares outstanding of 41,671,414 (2017 – 25,575,978) and 38,583,663 (2017 – 23,828,506), respectively.

11. Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the Audit and Risk Management Committee, which is responsible for developing and monitoring the Company's compliance with risk management policies and procedures. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by one banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to this risk is on its other receivables. This risk is minimal as receivables consist solely of refundable sales taxes.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

11. Financial risk management (continued)

As at January 31, 2018, the Company's liabilities consisted of accounts payable and accrued liabilities of $12,165 and due to related parties of $63. The Company's cash was $1,731,816 at January 31, 2018 and was sufficient to pay these liabilities.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements, and loans from related parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant funding.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market price risk is comprised of three types of market price changes: foreign currency exchange rates, interest rates and commodity prices.

(i) Foreign currency exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's risk to foreign exchange is limited since it holds only Canadian dollars.

(ii) 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 interest rate risk on its cash equivalents as these instruments have original maturities of six months or less and are therefore exposed to interest rate fluctuations on renewal. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. Accordingly, the Company is not subjected to interest rate risk.

(iii) Commodity price risk

The Company does not hold any financial instruments that have direct exposure to other price risks.

12. Capital disclosures

The Company manages its capital in a manner consistent with the risk characteristics of the assets it holds. All financing, including equity and debt, are analyzed by management and approved by the Board of Directors.

The Company's objectives when managing capital are:

(a) to safeguard the Company's ability to continue as a going concern and provide returns for shareholders; and

(b) to facilitate the acquisition or development of projects in Canada consistent with the growth strategy of the Company.

12. Capital disclosures (continued)

The Company is meeting its objective of managing capital through its detailed review and performance of due diligence on all potential acquisitions, preparing short-term and long-term cash flow analysis to ensure an adequate amount of liquidity and monthly review of financial results. The Company considers cash, shareholder loans and shareholders' equity (deficiency) to be capital. The Company does not have any externally imposed requirements on its capital.

There have been no changes in the Company's approach to capital management from the previous years.

13. Commitments

a) On October 17, 2017, the Company entered into a consulting agreement with a term of one year. Pursuant to the agreement the consultant will provide consulting services in exchange for $150,000. At January 31, 2018, the Company had paid the consultant $75,000.

b) On December 22, 2017, the Company entered into a Letter of Intent ("LOI") with Harrys International Manufacturing Inc. ("HIMI") to acquire all of the issued and outstanding common shares of HIMI (the "HIMI Shares") in exchange for the common shares of the Company.

On January 22, 2018, the Company entered into a Share Exchange Agreement with HIMI. Pursuant to the agreement the Company agreed to acquire all of the issued and outstanding shares of HIMI in exchange for the issuance of 28,500,100 shares of common stock of the Company to the shareholders of HIMI.

In addition, as a condition precedent to the closing of the Share Exchange Agreement (the "Closing"), the Company shall have advanced to HIMI an aggregate amount of $2,400,000 pursuant to the loan agreement described in Note 3.

14. Segmented information

At January 31, 2018, the Company operates in only one reporting segment, Canada.

15. Subsequent events

a) On February 2, 2018, the Company issued 5,500 shares of common stock upon the exercise of 5,500 warrants at $0.35 per share for proceeds of $1,925.

b) On February 24, 2018, the Company issued 100,000 shares of common stock upon the exercise of 100,000 warrants at $0.35 per share for proceeds of $35,000. The proceeds for the issuance of these shares were received prior to January 31, 2018 and are included in common stock subscribed.

c) Subsequent to January 31, 2018, 106,500 warrants exercisable at $0.35 per share expired in full.