

Financial Statements of

HARRYS MANUFACTURING INC.
(F/K/A WESTRIDGE RESOURCES INC.)

July 31, 2018 and 2017

Expressed in Canadian Dollars



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Harrys Manufacturing Inc. (formerly Westridge Resources Inc.)

We have audited the accompanying financial statements of Harrys Manufacturing Inc., which comprise the statement of financial position as at July 31, 2018, and the statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Harrys Manufacturing Inc. as at July 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Harrys Manufacturing Inc.'s ability to continue as a going concern.

Other Matter

The financial statements of Harrys Manufacturing Inc. for the year ended July 31, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on November 28, 2017.

A handwritten signature in black ink that reads "DMCL".

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
November 28, 2018

HARRYS MANUFACTURING INC.
(F/K/A WESTRIDGE RESOURCES INC.)
Statements of Financial Position
Expressed in Canadian dollars

	Note	July 31, 2018	July 31, 2017
		\$	\$
ASSETS			
Current			
Cash		1,526,070	197,126
Prepaid expenses	5	31,250	-
Receivables	6	70,782	6,518
Loan receivable	7	2,458,400	-
Total current assets		4,086,502	203,644
Exploration and evaluation assets	8	-	50,000
Total assets		4,086,502	253,644
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9	20,141	23,152
Due to related parties	11	-	705
Total current liabilities		20,141	23,857
SHAREHOLDERS' EQUITY			
Share capital	12	9,497,915	5,291,345
Reserves	12	1,810,116	1,515,029
Deficit		(7,241,670)	(6,576,587)
Total shareholders' equity		4,066,361	229,787
Total liabilities and shareholders' equity		4,086,502	253,644

Going concern (Note 2)
Subsequent event (Notes 1 and 16)

On behalf of the Board of Directors:

“Kevin Kohanik” Director “Michael Young” Director

HARRYS MANUFACTURING INC.
(F/K/A WESTRIDGE RESOURCES INC.)
Statements of Loss and Comprehensive Loss
Expressed in Canadian dollars

	Note	Year ended July 31, 2018	Year ended July 31, 2017
		\$	\$
Expenses			
Accounting and audit		26,578	40,245
Consulting fees	11	195,487	83,270
Expense recovery		-	(111,834)
Finance charges		3,155	3,103
Management fees	11	150,000	81,910
Office and miscellaneous		38,387	13,179
Professional fees		80,054	-
Share based payments	12	149,488	628,059
Shareholder communications		1,250	4,100
Transfer agent and filing fees		34,638	12,482
		(679,037)	(754,514)
Other income (expense)			
Interest income	7	63,954	-
Impairment of option on mineral property	8	(50,000)	-
Net and comprehensive loss		(665,083)	(754,514)
Basic and diluted loss per common share		(0.02)	(0.03)
Weighted average number of common shares outstanding, basic and diluted		43,899,566	29,813,542

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

HARRYS MANUFACTURING INC.
(F/K/A WESTRIDGE RESOURCES INC.)

Statement of Changes in Equity

Expressed in Canadian dollars

	Number of Common shares	Amount \$	Reserves \$	Deficit \$	Deficiency \$
July 31, 2016	23,639,021	4,363,325	879,921	(5,822,073)	(578,827)
Shares units issued for cash at \$0.05 per share	400,000	20,000	-	-	20,000
Share units issued for cash at \$0.25 per share	1,400,000	350,000	-	-	350,000
Share units issued for cash at \$0.25 per share	400,000	100,000	-	-	100,000
Share issuance costs paid					
- in cash	-	(26,631)	-	-	(26,631)
- in warrants	-	(20,138)	20,138	-	-
Shares issued for debt	9,500,000	475,000	-	-	475,000
Shares issued for cash upon exercise of options	160,000	16,700	-	-	16,700
Reallocation of share-based payments on exercise of options	-	13,089	(13,089)	-	-
Share based payments	-	-	628,059	-	628,059
Loss for the year	-	-	-	(754,514)	(754,514)
July 31, 2017	35,499,021	5,291,345	1,515,029	(6,576,587)	229,787
Shares issued for cash upon the exercise of stock options	775,000	134,500	-	-	134,500
Shares issued for cash upon the exercise of warrants	1,797,500	548,004	(18,879)	-	529,125
Share units issued for cash at \$0.35 per share	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)	-	-
Share-based payments	-	-	149,488	-	149,488
Loss for the year	-	-	-	(665,083)	(665,083)
July 31, 2018	49,316,258	9,497,915	1,810,116	(7,241,670)	4,066,361

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

HARRYS MANUFACTURING INC.
(F/K/A WESTRIDGE RESOURCES INC.)

Statement of Cash Flows

Expressed in Canadian dollars

	Note	July 31, 2018	July 31, 2017
		\$	\$
Operating activities			
Net loss for the year		(665,083)	(754,514)
Adjustment for non-cash items			
Accrued interest		-	3,103
Share based payments		149,488	628,059
Expense recovery		-	(111,834)
Expenses eliminated on shares for debt issuance		-	33,150
Impairment of evaluation and exploration assets		50,000	-
Changes in non-operating working capital items:			
Receivables		(64,264)	(4,479)
Prepaid expenses		(31,250)	-
Accounts payable and accrued liabilities		(3,716)	(6,439)
Net cash used in operating activities		(564,825)	(212,954)
Investing activities			
Loan receivable		(2,458,400)	-
Mineral property option payment		-	(50,000)
Net cash used in investing activities		(2,458,400)	(50,000)
Financing activities			
Proceeds from loans payable		50,000	-
Repayment of promissory note		(50,000)	-
Proceeds received from share issuances		4,599,283	486,700
Share issuance costs		(247,114)	(26,631)
Net cash provided in financing activities		4,352,169	460,069
Increase in cash in the year		1,328,944	197,115
Cash, beginning of year		197,126	11
Cash, end of year		1,526,070	197,126
Non-cash investing and financing activities			
Issuance of shares to settle debt		-	475,000
Issuance of warrants for finance fees		290,031	20,138

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

HARRYS MANUFACTURING INC.

(F/K/A WESTRIDGE RESOURCES INC.)

Notes to Financial Statements

For the year ended July 31, 2018

(Expressed in Canadian dollars)

1. Nature and continuance of operations

Harrys Manufacturing Inc. (the “Company”) was incorporated under the laws of the Province of British Columbia on July 31, 2007.

On January 22, 2018, as amended on March 30, 2018, the Company entered into a definitive agreement with Harrys International Manufacturing Inc. (“HIMI”) (the “Share Exchange Agreement”). Pursuant to the Share Exchange Agreement, the Company acquired all of the issued and outstanding common shares of HIMI in exchange for the issuance of 28,500,100 common shares of the Company (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 Canadian Securities Exchange (“CSE”). The Acquisition closed on October 4, 2018 and the Company also changed its name from Westridge Resources Inc. to Harrys Manufacturing Inc.

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 November 28, 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. 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 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 from working capital and if necessary from 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. 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.

3. Significant accounting policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The significant accounting policies that have been applied in the preparation of these financial statements are summarized below.

These accounting policies have been used throughout all periods presented in the financial statements.

HARRYS MANUFACTURING INC.

(F/K/A WESTRIDGE RESOURCES INC.)

Notes to Financial Statements

For the year ended July 31, 2018

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

(a) Significant judgments, estimates and assumptions

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:

Share-based payments

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.

Deferred taxes

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.

(b) Foreign currency translation

The functional currency of the Company is the Canadian dollar, and the financial statements are presented in Canadian dollars.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

HARRYS MANUFACTURING INC.

(F/K/A WESTRIDGE RESOURCES INC.)

Notes to Financial Statements

For the year ended July 31, 2018

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

(c) Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to contributed surplus. The fair value of options is determined using a Black-Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(d) Share purchase warrants

The Company bifurcates units consisting of common shares and share purchase warrants using the residual value approach whereby it measures the common share component of the unit at fair value using market prices. The difference between this value and the unit value is then allocated to the warrant with the value of the warrant component being credited to reserves. When warrants are exercised, the corresponding residual value, if any, is transferred from reserves to share capital.

(e) Financial instruments

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified as fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss.

Loans and receivables

Loans and receivables are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Other financial liabilities

An obligation is initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, other financial liabilities are measured at amortized cost, using the effective interest method.

The Company has classified its financial instruments as follows:

- (a) Cash is classified as FVTPL.
- (b) Accounts receivable are classified as loans and receivables.
- (c) Accounts payable and accrued liabilities, due to related parties and loans payable are classified as other financial liabilities.

HARRYS MANUFACTURING INC.

(F/K/A WESTRIDGE RESOURCES INC.)

Notes to Financial Statements

For the year ended July 31, 2018

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

(e) Financial instruments (continued)

Comprehensive income (loss)

Comprehensive income (loss) is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources, such as any unrealized gains and losses in financial assets classified as AFS. The Company had no comprehensive income (loss) transactions during the years ended July 31, 2018 and 2017.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as accounts receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(f) Income taxes

Current tax:

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax:

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

HARRYS MANUFACTURING INC.

(F/K/A WESTRIDGE RESOURCES INC.)

Notes to Financial Statements

For the year ended July 31, 2018

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

(e) Income taxes (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(f) Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share is calculated by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise share options granted.

(g) Contingencies

Contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

(h) Related party transactions

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

(i) Provisions

Liabilities are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount.

Provisions are measured as the expenditure expected to be required to settle the obligation at the reporting date. In cases where it is determined that the effects of the time value of money are significant, the provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

HARRYS MANUFACTURING INC.

(F/K/A WESTRIDGE RESOURCES INC.)

Notes to Financial Statements

For the year ended July 31, 2018

(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 for annual periods commencing after 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. Prepaid expenses

On October 17, 2017, the Company executed a business development and consulting agreement with a term of one year. Pursuant to the agreement, the Company prepaid \$150,000 (2017 - \$nil) as consideration for the consulting services to be performed over a twelve-month period. As at July 31, 2018 \$31,250 (2017 - \$nil) is still outstanding as a prepaid.

6. Receivables

	July 31, 2018	July 31, 2017
Recoverable sales taxes	\$ 6,828	\$ 6,518
Accrued interest (Note 7)	63,954	-
	<u>\$ 70,782</u>	<u>\$ 6,518</u>

7. Loan receivable

On January 4, 2018, the Company entered into a loan agreement with HIMI. The loan bore interest at 5% per annum and matured on the earlier of January 4, 2019 or the termination of the Share Exchange Agreement described in Note 14. At July 31, 2018, the Company had advanced \$2,458,400 and accrued interest receivable of \$63,954. On October 4, 2018, the Acquisition closed, and the loan was eliminated.

HARRYS MANUFACTURING INC.

(F/K/A WESTRIDGE RESOURCES INC.)

Notes to Financial Statements

For the year ended July 31, 2018

(Expressed in Canadian dollars)

8. 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 certain mineral claims comprising located in the Kenora mining division of Ontario.

During the year period ended July 31, 2018, the Company decided not to exercise the option and recorded an impairment charge of \$50,000.

9. Accounts payable and accrued liabilities

	July 31, 2018	July 31, 2017
Accounts payable	\$ 12,141	\$ 16,152
Accrued liabilities	8,000	7,000
	\$ 20,141	\$ 23,152

10. Loans payable

The loans payable were part of the debts that were eliminated by the shares for debt transaction, completed on January 13, 2017. The loans eliminated were:

- Demand loan of \$67,000, past due since August 20, 2013; bearing interest at 15% per annum. Total interest and principal owing as at July 31, 2016 was \$106,325.
- Demand loan of \$20,000, bearing interest at 1% per month. Total interest and principal outstanding as at July 31, 2016 was \$21,800.

Interest accrued during the 2017 fiscal year on these two loans that was also eliminated on the shares for debt arrangement was \$3,103.

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

11. Related party transactions and balances

The Company incurred key management compensation as follows:

Year ended July 31,	2018	2017
Management fees accrued or paid to current CEO and director	\$ 150,000	\$ 65,000
Management fees accrued or paid to current CFO, past CEO and director	-	16,910
Consulting fees paid to a director	-	15,500
Consulting fees paid to current CFO, past CEO and director	-	7,500
Total fees paid to related parties	\$ 150,000	\$ 104,910

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

During the year ended July 31, 2018, the Company received a loan payable from a shareholder of \$50,000 (2017 – \$nil). The loan was repaid on December 4, 2017.

HARRYS MANUFACTURING INC.

(F/K/A WESTRIDGE RESOURCES INC.)

Notes to Financial Statements

For the year ended July 31, 2018

(Expressed in Canadian dollars)

11. Related party transactions and balances (continued)

On January 10, 2017, the Company entered into a consulting agreement with the President and CEO of the Company for \$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. During the year ended July 31, 2018, the Company paid a bonus of \$30,000.

During the year ended July 31, 2018, the Company granted 500,000 stock options exercisable at \$0.10 per share and 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 January 27, 2017, the Company granted 200,000 stock options exercisable at \$0.25 per share and 100,000 stock options exercisable at \$0.35 per share, for five years after the date of grant to directors of the Company.

12. Share capital and reserves

(a) Authorized:

Unlimited number of common shares without nominal or par value.

(b) Issued

As at July 31, 2018, there are 49,316,258 (July 31, 2017 – 35,499,021) issued and outstanding common shares.

(c) Share transactions

During the year ended July 31, 2018

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 consisted 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 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 consisted 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%.

HARRYS MANUFACTURING INC.

(F/K/A WESTRIDGE RESOURCES INC.)

Notes to Financial Statements

For the year ended July 31, 2018

(Expressed in Canadian dollars)

12. Share capital and reserves (continued)

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 consisted 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. 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.

During the year ended July 31, 2018, the Company issued 75,000 shares of common stock upon the exercise of 75,000 stock options at \$0.10 per share for proceeds of \$7,500. At the time of issue, the options were valued at \$5,701 and credited to reserves. Upon exercise, this amount was taken out of reserves and added to the value received for shares issued.

During the year ended July 31, 2018, the Company issued 600,000 shares of common stock upon the exercise of 600,000 stock options at \$0.17 per share for proceeds of \$102,000. At the time of issue, the options were valued at \$96,972 and credited to reserves. Upon exercise, this amount was taken out of reserves and added to the value received for shares issued.

During the year ended July 31, 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.

During the year ended July 31, 2018, the Company issued 400,000 shares of common stock upon the exercise of 400,000 share purchase warrants at \$0.10 per share for proceeds of \$40,000.

During the year ended July 31, 2018, the Company issued 97,500 shares of common stock upon the exercise of 97,500 warrants at \$0.35 per share for proceeds of \$34,125. At the time of issue, the warrants were issued to brokers as finders' fees for a private placement and were valued at \$18,879 and credited to reserves. Upon exercise, this amount was taken out of reserves and added to the value received for shares issued.

During the year ended July 31, 2018, the Company issued 1,300,000 shares of common stock upon the exercise of 1,300,000 share purchase warrants at \$0.35 per share for proceeds of \$455,000.

During the year ended July 31, 2017

On January 13, 2017, the Company issued 9,500,000 common shares of the Company at a price of \$0.05 per share for settlement of \$475,000 of debts.

Also on January 13, 2017, the Company completed a private placement of 400,000 units at a price of \$0.05 per unit for gross proceeds of \$20,000. Each Unit consisted 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 12 months from the date of issuance, one additional common share of the Company at a price of \$0.10 per share. No value was attributed to the warrants as a component of the units.

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12. Share capital and reserves (continued)

On February 3, 2017, the Company completed a non-brokered private placement of 1,400,000 units at a price of \$0.25 per unit for gross proceeds of \$350,000. Each Unit consisted 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 12 months from the date of issuance, one additional common share of the Company at a price of \$0.35 per share. The Company paid a cash commission of \$26,000 and incurred filing costs of \$631. In addition, the Company issued 104,000 brokers' warrants with each warrant having the same terms as the warrants issued with the units. The brokers' warrants were valued at \$20,138 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 – 1.07%; expected life – 12 months; dividend nil and annualized volatility – 194.63%. No value was attributed to the warrants as a component of the units.

On May 29, 2017, the Company issued 10,000 shares of common stock upon the exercise of 10,000 stock options at \$0.17 per share for proceeds of \$1,700. At the time of issue, the options were valued at \$1,632 and credited to reserves. Upon exercise, this amount was taken out of reserves and added to the value received for shares issued.

On June 5, 2017, the Company closed a non-brokered private placement of 400,000 units at a price of \$0.25 per unit for gross proceeds of \$100,000. Each Unit consisted of one common share of the Company and one full share purchase warrant, each full warrant entitling the holder thereof to purchase, for a period of 12 months from the date of issuance, one additional common share of the Company at a price of \$0.35 per share. No value was attributed to the warrants as a component of the units.

During the year ended July 31, 2017, the Company issued 150,000 shares of common stock upon the exercise of 150,000 stock options at \$0.10 per share for proceeds of \$15,000. At the time of issue, the options were valued at \$11,457 and credited to reserves. Upon exercise, this amount was taken out of reserves and added to the value received for shares issued.

(d) Share purchase warrants

The changes in warrants during the years ended July 31, 2018 and 2017 were as follows:

	July 31, 2018		July 31, 2017	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning of the year	2,304,000	\$ 0.31	-	\$ -
Issued	11,926,715	0.50	2,304,000	0.31
Exercised	(2,197,500)	0.30	-	-
Expired	(106,500)	0.35	-	-
Warrants outstanding, end of the year	11,926,715	\$ 0.50	2,304,000	\$ 0.31

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

Number of warrants	Exercise price	Expiry date
3,328,738	\$ 0.50	December 4, 2019
6,664,197	0.50	December 19, 2019
1,933,780	0.50	January 12, 2020
11,926,715	\$ 0.50	

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12. 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 January 16, 2017, the Company granted 500,000 stock options exercisable at \$0.10 per share for five years after the date of grant. The options vested upon grant.

On January 17, 2017, the Company granted 850,000 stock options exercisable at \$0.17 per share for five years after the date of grant. The options vested upon grant.

On January 18, 2017, the Company granted 600,000 stock options exercisable at \$0.25 per share for five years after the date of grant. The options vested upon grant.

On January 27, 2017, the Company granted 200,000 stock options exercisable at \$0.25 per share for five years after the date of grant. The options vested upon grant.

On February 3, 2017, the Company granted 300,000 stock options exercisable at \$0.30 per share for five years after the date of grant. The options vested upon grant.

On February 6, 2017, the Company granted 500,000 stock options exercisable at \$0.37 per share for five years after the date of grant. The options vested upon grant.

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 years ended July 31, 2018 and 2017 were as follows:

	July 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 (2017 - \$0.30).

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12. Share capital and reserves (continued)

The following stock options were outstanding and exercisable as at July 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	

(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 year ending July 31, 2018 was \$149,488 (2017 - \$628,059).

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

	July 31, 2018	July 31, 2017
Risk-free interest rate	1.70%	1.10%
Expected life of options	5 years	5 years
Annualized volatility	219%	185%
Dividend rate	-	-

(g) Loss per share

The calculation of basic and diluted loss per share for the quarter ended July 31, 2018 was based on the weighted average number of common shares outstanding of 49,316,258 (2017 – 29,813,542).

13. 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.

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13. Financial risk management (continued)

(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 receivables. The Company is also exposed to credit risk relating to the loan receivable to HIMI. The Company believes this risk is mitigated by having entered into the Share Exchange Agreement with HIMI. The Company also has minimal risk relating to a small amount 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.

As at July 31, 2018, the Company's liabilities consisted of accounts payable and accrued liabilities of \$20,141. The Company's cash was \$1,526,070 at July 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.

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14. 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.

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.

15. Income taxes

Income tax expense varies from the amount that would be computed by applying the expected basic federal and provincial income tax rates for Canada at July 31, 2018 at 26% (2017 – 26%) to income before income taxes.

	July 31, 2018	July 31, 2017
Net loss for the year	\$ (665,083)	\$ (754,514)
Expected income recovery	\$ (173,000)	\$ (196,000)
Non-deductible expenditures	39,000	157,000
Items deductible for income tax purposes	(142,000)	-
Change in unrecognized deductible temporary differences	276,000	39,000
Deferred income tax expense	\$ -	\$ -

The significant components of the Company's unrecognized deferred tax assets and liabilities are as follows:

	July 31, 2018	July 31, 2017
Deferred tax assets:		
Share issue costs	\$ 122,000	\$ 12,000
Non-capital losses available for future periods	871,000	705,000
Unrecognized deferred tax assets	993,000	717,000
Change in unrecognized deductible temporary differences	(993,000)	(717,000)
Deferred income tax expense	\$ -	\$ -

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15. Income taxes (continued)

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

	July 31,		July 31,	
	2018	Expiry Dates	2017	Expiry Dates
Share issue costs	\$ 466,000	2019-2021	\$ 46,000	2018-2021
Non-capital losses available for future periods	3,347,000	2019-2038	2,712,000	2018-2037
	\$ 3,813,000		\$ 2,758,000	

16. Subsequent Event

On November 2, 2018, the Company issued 100,000 shares of common stock upon the exercise of 100,000 stock options at \$0.10 per share for proceeds of \$10,000.