

HARRYS INTERNATIONAL MANUFACTURING INC.
FINANCIAL STATEMENTS
JULY 31, 2018 AND 2017
(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Directors of Harrys International Manufacturing Inc.

We have audited the accompanying financial statements of Harrys International Manufacturing Inc., which comprise the statements of financial position as at July 31, 2018 and 2017, and the statements of comprehensive loss, changes in shareholders' deficiency and cash flows for the year ended July 31, 2018 and the period from November 29, 2016 (inception) to July 31, 2017, 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 audits. We conducted our audits 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 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 International Manufacturing Inc. as at July 31, 2018 and 2017, and its financial performance and its cash flows for the year ended July 31, 2018 and the period from November 29, 2016 (inception) to July 31, 2017 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements, which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Harrys International Manufacturing Inc.'s ability to continue as a going concern.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
November 29, 2018

HARRYS INTERNATIONAL MANUFACTURING INC.
STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	July 31, 2018	From November 29, 2016 (inception) to July 31, 2017
Revenue (Note 4)	\$ 467,550	\$ -
Cost of sales (Note 5)	<u>106,401</u>	<u>-</u>
	<u>361,149</u>	<u>-</u>
Operating Expenses		
Advertising expense	1,700	-
Consulting fees	58,430	-
Interest and bank charges (Note 9)	75,245	108
Office and administrative	24,864	-
Professional fees	61,461	-
Research and development	606,222	-
Salaries and wages (Note 7)	<u>544,249</u>	<u>253,978</u>
	(1,372,171)	254,086
Comprehensive loss	<u>\$ (1,011,022)</u>	<u>\$ (254,086)</u>
Basic and diluted loss per share	<u>\$ (0.06)</u>	<u>\$ (2,541)</u>
Weighted average shares outstanding	<u>18,258,297</u>	<u>100</u>

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

HARRYS INTERNATIONAL MANUFACTURING INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Deficit	Total deficiency
Balance, November 29, 2016 (inception)	-	\$ -	\$ -	\$ -
Issuance of common shares for cash (Note 8)	100	100	-	100
Comprehensive loss	-	-	(254,086)	(254,086)
Balance, July 31, 2017	-	100	(254,086)	(253,986)
Issuance of common shares for cash (Note 8)	28,500,000	322,500	-	322,500
Comprehensive loss	-	-	(1,011,022)	(1,011,022)
Balance, July 31, 2018	28,500,100	\$ 322,600	\$ (1,256,108)	\$ (942,508)

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

HARRYS INTERNATIONAL MANUFACTURING INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year ended July 31, 2018	From November 29, 2016 (inception) to July 31, 2017
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss	\$ (1,011,022)	\$ (254,086)
Items not involving cash		
Depreciation	106,401	-
Interest accrued	63,954	-
Changes in non-cash working capital		
Accounts receivable	(430,323)	-
Prepaid expenses	(300,000)	-
Accounts payable and accrued liabilities	651,896	-
Wages payable	(65,707)	197,198
Employee deductions payable	(45,482)	56,840
Net cash flow used in operating activities	(1,030,283)	(108)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(1,702,425)	-
Net cash flows used in investing activities	(1,702,425)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from shareholders	(100)	100
Proceed from loans payable	2,458,400	-
Shares Issued	322,500	100
Net cash flows provided by financing activities	2,780,800	200
NET CASH INFLOW	48,092	92
Cash - beginning of year	92	-
Cash - end of year	\$ 48,184	\$ 92

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

HARRYS INTERNATIONAL MANUFACTURING INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended July 31, 2018

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Harrys International Manufacturing Inc. (the "Company") was incorporated on November 29, 2016, under the laws of the British Columbia. The registered office and records of the Company are located at 100 – 595 Burrard Street, Vancouver, BC V7X 1S8.

The Company's primary business is generating revenue through equipment rental and sales management through distribution agreement (Note 4).

On January 22, 2018, the Company entered into a definitive agreement (the "Share Exchange Agreement") with Harrys Manufacturing Inc. (formerly, Westridge Resources Inc.) ("Westridge"), a public Company listed on the Canadian Securities Exchange. On October 4, 2018, pursuant to the Share Exchange Agreement, Westridge acquired all of the issued and outstanding shares of the Company (the "Acquisition") and issued 28,500,100 common shares of Westridge in exchange for each outstanding common share in the capital of the Company.

These financial statements have been prepared in accordance with accounting principles applicable to a going concern. The Company does not yet generate cash flows from operations. This indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND USE OF ESTIMATES AND JUDGMENTS

Basis of presentation and statement of compliance

These 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 Issues Committee ("IFRIC"). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

These financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive loss. Depreciation for the equipment is 20% using the straight-line method over its estimated useful life.

Revenue Recognition

Revenue is recognized by the following criteria which must be met:

- The amount of revenue can be measured reliably;
- It is probably that the economic benefits will flow to the seller;
- The stage of completion at the balance sheet date can be measured reliably; and
- The costs incurred, or to be incurred, in respect of the transaction can be measured reliably.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to 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 income 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.

HARRYS INTERNATIONAL MANUFACTURING INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended July 31, 2018

(Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND USE OF ESTIMATES AND JUDGMENTS (continued)

Income taxes (continued)

Deferred tax:

Deferred tax is recognized on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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 future taxable income will be available to allow all or part of the temporary differences 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 and are expected to apply by the end of the reporting period.

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

Foreign currency translation

The Company's functional currency is Canadian dollars. The Company is not exposed to significant currency risk at this time.

Financial instruments

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method ("EIR"), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of loss and comprehensive loss. The losses arising from impairment are recognized in the statement of loss and comprehensive loss. The Company has classified cash as loans and receivables.

Other financial liabilities

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost. The effective interest rate (or amortized cost method) is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Financial instruments recorded at fair value

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.

Critical accounting estimates and significant management judgments

The preparation of financial statements in accordance with IFRS requires the Company to use judgment in applying its accounting policies and make estimates and assumptions about reported amounts at the date of the financial statements and in the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these income tax provisions at the end of each reporting period. However, it is possible that at some future date an additional liability could result from audits by tax authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. Deferred tax assets are recognized when it is determined that the Company is likely to recognize their recovery from the generation of taxable income.

HARRYS INTERNATIONAL MANUFACTURING INC.**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended July 31, 2018

(Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND USE OF ESTIMATES AND JUDGMENTS (continued)*Other significant judgments*

The preparation of these financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the fair value and classification of financial instruments.

Changes in accounting standards

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

3. ACCOUNTS RECEIVABLE

	July 31, 2018	July 31, 2017
Trades receivable	\$ 420,053	\$ -
GST receivable	10,270	-
	<u>\$ 430,323</u>	<u>\$ -</u>

4. DISTRIBUTION AGREEMENT

On January 2, 2018, the Company executed an agreement (the "Distribution Agreement") for purchasing, manufacturing and reselling tobacco products for a period of 5 years, with automatic renewals for additional successive 1-year terms. Per the Distribution Agreement, the Company will purchase supplies from the supplier to provide use of their equipment and sell the manufactured goods back to the supplier. In relation to the Distribution Agreement, the Company has prepaid \$300,000 (2017 - \$nil) as a security deposit for supplies required for the manufacturing of the tobacco products until the term of the Distribution Agreement ends. All of the Company's sales, which represent the consideration received from the supplier for allowing the supplier to use its machinery and for providing sales management services, are pursuant to this agreement.

5. EQUIPMENT

	Manufacturing Equipment	Total
Cost		
Balance at July 31, 2017	\$ -	\$ -
Additions	1,702,425	1,702,425
Balance at July 31, 2018	<u>\$ 1,702,425</u>	<u>\$ 1,702,425</u>
Accumulated depreciation		
Balance at July 31, 2017	\$ -	\$ -
Depreciation	106,401	106,401
Balance at July 31, 2018	<u>\$ 106,401</u>	<u>\$ 106,401</u>
Net book value		
July 31, 2017	\$ -	\$ -
July 31, 2018	<u>\$ 1,596,024</u>	<u>\$ 1,596,024</u>

During the year ended July 31, 2018, the Company recognized 100% of the depreciation as cost of sales.

HARRYS INTERNATIONAL MANUFACTURING INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended July 31, 2018

(Expressed in Canadian Dollars)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	July 31, 2018	July 31, 2017
Trades payable	\$ 7,363	\$ -
Accrued liabilities	644,533	-
	\$ 651,896	\$ -

7. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of the Company's directors. The remuneration of directors and key management personnel for the year ended July 31, 2018 and for the period from November 29, 2016 (inception) to July 31, 2017 was as following:

	July 31, 2018	July 31, 2017
Salaries and wages	\$ 428,400	\$ 253,978

As at July 31, 2018, \$nil (July 31, 2017: \$100) is outstanding in relation to transaction with a director of the Company, which are non-interest bearing, unsecured and due on demand.

Wages payable:

As at July 31, 2018, \$85,384 (July 31, 2017: \$197,138) in wages payable is outstanding in relation to transactions with related parties, which are non-interest bearing, unsecured and due on demand.

Equity

During the year ended July 31, 2018, the Company issued 27,000,000 Class A common shares to related parties for gross proceeds of \$315,000.

8. EMPLOYEE DEDUCTIONS PAYABLE

In relation to the salaries and wages incurred during the year ended July 31, 2018, \$11,358 (July 31, 2017: \$56,840) is due to the Canadian government for remittance of employee deductions and employer portion of the contributions.

9. LOANS PAYABLE

On January 4, 2018, Westridge entered into a loan agreement with the Company. 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 (Note 1). As at July 31, 2018, Westridge has advanced \$2,458,400. As at July 31, 2018, \$63,954 of interest was accrued. On October 4, 2018, the Acquisition closed, and the loan was eliminated.

10. SHARE CAPITAL

Authorized:

Unlimited	Class A Common shares
Unlimited	Class B Common shares
Unlimited	Class A Preferred shares
Unlimited	Class B Preferred shares
Unlimited	Class C Preferred shares

Issued:

During the year ended July 31, 2018, the Company issued 28,500,000 Class A common shares for gross proceeds of \$322,500, of which 27,000,000 were issued to related parties (Note 7).

During the period ended July 31, 2017, the Company issued 100 Class A common shares for gross proceeds of \$100.

HARRYS INTERNATIONAL MANUFACTURING INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended July 31, 2018

(Expressed in Canadian Dollars)

11. INCOME TAX

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	\$ (1,011,022)	\$ (254,068)
Expected recovery	\$ (263,000)	\$ (66,000)
Change in unrecognized deductible temporary differences	263,000	66,000
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:		
Equipment	\$ (17,000)	\$ -
Non-capital losses available for future periods	346,000	66,000
Unrecognized deferred tax assets	329,000	66,000
Change in unrecognized deductible temporary differences	(329,000)	(66,000)
Deferred income tax expense	\$ -	\$ -

As at July 31, 2018, the Company has non-capital loss of approximately \$1,329,000 that may be carried forward, expiring in 2038 and applied against taxable income for future years.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

12. FINANCIAL INSTRUMENTS**Financial risk management**

The Company is exposed in varying degrees to a variety of financial instrument related risks.

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. All of its cash is held a major Canadian financial institution. The credit risk associated with cash is minimized by ensuring that substantially all dollar amounts are held with a major financial institution with strong investment-grade ratings by a primary ratings agency.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at July 31, 2018, the Company incurs expenses in Canadian dollars.

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time.

The Company's source of funding is the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

HARRYS INTERNATIONAL MANUFACTURING INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended July 31, 2018

(Expressed in Canadian Dollars)

13. CAPITAL MANAGEMENT

Management's objective is to manage its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of share capital and working capital.

In order to achieve this objective, management makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust capital structure, management may invest its excess cash in interest bearing accounts of Canadian chartered banks and/or raise additional funds externally as needed. The Company is not subject to externally imposed capital requirements. There have been no changes in the Company's approach to capital management from the previous year.