Condensed Interim Consolidated Financial Statements of

HARRYS MANUFACTURING INC.

October 31, 2018

Expressed in Canadian Dollars

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements.

HARRYS MANUFACTURING INC.
Condensed Interim Consolidated Statements of Financial Position
Expressed in Canadian dollars

	Note	October 31, 2018	July 31, 2018
		(Unaudited) $	$
ASSETS			
Current			
Cash		963,683	1,526,070
Receivables	6	22,733	70,782
Loan receivable	7	–	2,458,400
Prepaid expenses	8	300,000	31,250
Total current assets		1,286,416	4,086,502
Equipment	9	1,510,903	–
Goodwill	9	11,138,232	–
Total assets		13,935,551	4,086,502
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	64,582	20,141
Total current liabilities		64,582	20,141
SHAREHOLDERS' EQUITY			
Share capital	12	19,472,950	9,497,915
Reserves	12	1,810,116	1,810,116
Deficit		(7,412,097)	(7,241,670)
Total shareholders' equity		13,870,969	4,066,361
Total liabilities and shareholders' equity		13,935,551	4,086,502

Going concern (Note 2)
Subsequent events (Note 16)

On behalf of the Board of Directors:

"Kevin Kohanik" Director *"Michael Young"* Director

HARRYS MANUFACTURING INC.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
Expressed in Canadian dollars
(Unaudited)

	Note	Three months ended October 31, 2018	Three months ended October 31, 2017
		$	$
Revenue		–	–
Cost of sales	9	25,262	–
		(25,262)	–
Expenses			
Consulting fees		31,250	25,487
Management fees	11	35,550	30,000
Office and administrative		9,077	2,032
Professional fees		25,263	17,043
Share-based payments	12	–	107,086
Salaries and wages	11	52,939	–
Transfer agent and filing fees		12,976	15,959
Total expenses		167,055	197,607
Net loss before other items		(192,317)	(197,607)
Other items			
Interest income		21,890	–
Net and comprehensive loss		(170,427)	(197,607)
Basic and diluted loss per common share		(0.00)	(0.01)
Weighted average number of common shares outstanding, basic and diluted		57,370,634	35,515,217

HARRYS MANUFACTURING INC.
Condensed Interim Consolidated Statement of Changes in Equity
Expressed in Canadian dollars
(Unaudited)

	Number of Common shares	Amount	Reserves	Deficit	Shareholders Equity
		$	$	$	$
July 31, 2017	35,499,021	5,291,345	1,515,029	(6,576,587)	229,787
Shares issued for cash at $0.10 per share	25,000	2,500	–	–	2,500
Share issued for cash at $0.17 per share	100,000	17,000	–	–	17,000
Share-based payments	–	–	107,086	–	107,086
Loss for the period	–	–	–	(197,607)	(197,607)
October 31, 2017	35,624,021	5,310,845	1,622,115	(6,774,194)	158,766
July 31, 2018	49,316,258	9,497,915	1,810,116	(7,241,670)	4,066,361
Shares issued to acquire HIMI	28,500,100	9,975,035	–	–	9,975,035
Loss for the period	–	–	–	(170,427)	(170,427)
October 31, 2018	77,816,358	19,472,950	1,810,116	(7,412,097)	13,870,969

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

HARRYS MANUFACTURING INC.
Condensed Interim Consolidated Statement of Cash Flows
Expressed in Canadian dollars
(Unaudited)

	Three months ended October 31, 2018	Three months ended October 31, 2017
	$	$
Operating activities		
Net loss for the period	(170,427)	(197,607)
Adjustment for non-cash items		
Share based payments	–	107,086
Depreciation	24,487	–
Changes in non-cash operating working capital items:		
Receivables	411,602	2,767
Prepaid expenses	31,250	(68,750)
Accounts payable and accrued liabilities	(877,848)	(1,239)
Net cash used in operating activities	(580,936)	(157,743)
Investing activities		
Cash acquired upon acquisition of Harrys International Manufacturing Inc. (“HIMI”)	18,549	–
Net cash provided by investing activities	18,549	–
Financing activities		
Proceeds from loans payable	–	50,000
Proceeds received from share issuances	–	19,500
Net cash provided by financing activities	–	69,500
Decrease in cash in the period	(562,387)	(88,243)
Cash, beginning of period	1,526,070	197,126
Cash, end of period	963,683	108,883

Non-cash investing and financing activities		
Receivables acquired in HIMI acquisition	363,553	–
Prepaids acquired in HIMI acquisition	300,000	–
Equipment acquired in HIMI acquisition	1,535,390	–
Goodwill acquired in HIMI acquisition	11,138,232	–
Accounts payable and accrued liabilities acquired in HIMI acquisition	922,289	–

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 October 4, 2018, the Company changed its name from Westridge Resources Inc. to Harrys Manufacturing Inc. The Company’s principal business is the distribution of tobacco products to international customers.

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. As a result of the Acquisition, HIMI became a wholly-owned subsidiary of the Company.

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 December 21, 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 therefrom 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.

As at October 31, 2018, the Company had cash of $963,683, net working capital of $1,221,834 and an accumulated deficit of $7,412,097 since inception and expects to incur further losses.

3. Significant accounting policies

Statement of compliance

These interim consolidated 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 consolidated financial statements, including IAS 34, *Interim Financial Reporting*. The interim consolidated 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 consolidated 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: assumptions used in estimating share-based payments; the recoverability of deferred tax assets; the going concern assumption; and the fair value and classification of financial instruments.

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

During the period, the Company adopted IFRS 15 *Revenue from Contracts with customers*, which establishes a five-step model to account for revenue. The five-step model requires companies to:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when or as the entity satisfies a performance obligation

The Company has not recognized any revenue during the three months ended October 31, 2018.

4. Adoption of new accounting pronouncements and recent developments

The Company has adopted new accounting standard IFRS 15 *Revenue from Contracts with Customers*, effective for annual periods beginning on or after January 1, 2018 using the cumulative effective basis, with no restatement of the comparative period. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers.

The Company principally generates revenue from the sale and distribution of affordable, high quality, organically grown tobacco cigarettes to international customers. The Company has reviewed its sources of revenue using the guidance found in IFRS 15 and determined that there are no material changes to the timing and measurement of the Company’s revenue from these sources as compared to the previous standards.

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 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 is 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. Acquisition of HIMI

On January 22, 2018, the Company entered into a Share Exchange Agreement (the “Agreement”) with Harrys International Manufacturing Inc. (“HIMI”), a company incorporated under the laws of British Columbia. Pursuant to the terms the Agreement, the Company issued 28,500,100 common shares at $0.35 per share in exchange for 28,500,100 Class A shares of HIMI, which represented 100% of the issued and outstanding shares of HIMI.

In addition, as a condition precedent to the closing of the Agreement, the Company advanced to HIMI an aggregate amount of $2,400,000 pursuant to a loan agreement entered on January 4, 2018 between the Company and HIMI. The transaction closed on October 4, 2018.

In accordance with IFRS 3, *Business Combinations*, the purchase agreement was deemed a business combination for accounting purposes. Assets acquired and liabilities assumed are reported at their fair values as at the closing date.

(Expressed in Canadian dollars)

5. Acquisition of HIMI (continued)

The assets acquired and liabilities of HIMI assumed are as follows:

	$
Cash	18,549
Amounts receivable	449,397
Prepaid expenses	300,000
Equipment	1,535,390
Goodwill	11,138,232
Accounts payable and accrued liabilities	(922,289)
Loan payable	(2,544,244)
Total purchase price	9,975,035

6. Receivables

	October 31, 2018	July 31, 2018
Recoverable sales taxes	$ 22,476	$ 6,828
Accounts receivable	257	–
Accrued interest (Note 7)	–	63,954
	$ 22,733	$ 70,782

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 5. 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 on consolidation.

8. Prepaid expenses

a) 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 as consideration for the consulting services to be performed over a twelve-month period. As at October 31, 2018 $nil (July 31, 2018 - $31,250) was still outstanding as a prepaid.

b) On January 2, 2018, HIMI 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, HIMI will purchase supplies from the supplier, provide use of their equipment, and sell the manufactured goods back to the supplier. In relation to the Distribution Agreement, HIMI 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 HIMI’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.

(Expressed in Canadian dollars)

9. Equipment

	Manufacturing Equipment $	Total $
Cost:		
Balance, July 31, 2018	–	–
Additions (Note 5)	1,535,390	1,535,390
Balance, October 31, 2018	1,535,390	1,535,390
Accumulated depreciation:		
Balance, July 31, 2018	–	–
Depreciation	24,487	24,487
Balance, October 31, 2018	24,487	24,487
Carrying amounts:		
Balance, July 31, 2018	–	–
Balance, October 31, 2018	1,510,903	1,510,903

During the three months ended October 31, 2018, the Company recognized 100% of the depreciation as cost of sales.

10. Accounts payable and accrued liabilities

		October 31, 2018		July 31, 2018
Accounts payable	$	38,526	$	12,141
Accrued liabilities		26,056		8,000
	$	64,582	$	20,141

(Expressed in Canadian dollars)

11. Related party transactions and balances

The Company incurred key management compensation as follows:

Three months ended October 31,	2018	2017
Management fees accrued or paid to current CFO	$ 35,550	$ 30,000
Salary accrued or paid to current President and CEO	11,850	–
Salary accrued or paid to a director, VP Corporate Development	11,850	–
Total fees paid to related parties	$ 59,250	$ 30,000

On January 10, 2017, the Company entered into a consulting agreement with the current CFO 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 CFO 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 CFO 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.

12. Share capital and reserves

(a) Authorized:

Unlimited number of common shares without nominal or par value.

(b) Issued

As at October 31, 2018, there are 77,816,358 (July 31, 2018 – 49,316,258) issued and outstanding common shares.

(c) Share transactions

During the three months ended October 31, 2018:

On October 4, 2018, the Company issued 28,500,100 common shares at $0.35 per share in exchange for 28,500,100 Class A shares of HIMI pursuant to the acquisition described in Note 5.

During the three months ended October 31, 2017:

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.

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.

(Expressed in Canadian dollars)

12. Share capital and reserves (continued)

(d) Share purchase warrants

The changes in warrants during the three months ended October 31, 2018 and year ended July 31, 2018 were as follows:

	October 31, 2018		July 31, 2018	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of the period	11,926,715	$ 0.50	2,304,000	$ 0.31
Issued	–	–	11,926,715	0.50
Exercised	–	–	(2,197,500)	0.30
Expired	–	–	(106,500)	0.35
Outstanding, end of the period	11,926,715	$ 0.50	11,926,715	$ 0.50

A summary of the Company's outstanding warrants as at October 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	

(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.

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

	October 31, 2018		July 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of the period	2,490,000	$ 0.28	2,790,000	$ 0.23
Granted	–	–	475,000	0.37
Exercised	–	–	(775,000)	0.17
Outstanding, end of the period	2,490,000	$ 0.28	2,490,000	$ 0.28

(Expressed in Canadian dollars)

13. Share capital and reserves (continued)

(e) Stock options (continued)

The following stock options were outstanding and exercisable as at October 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	

(e) 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 three months ending October 31, 2018 was $Nil (2017 - $107,086).

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

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

(g) Loss per share

The calculation of basic and diluted loss per share for the quarter ended October 31, 2018 was based on the weighted average number of common shares outstanding of 57,370,634 (2017 –35,515,217).

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.

(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 a major bank in Canada. As most of the Company's cash is held by one bank 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 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 October 31, 2018, the Company's liabilities consisted of accounts payable and accrued liabilities of $64,582. The Company's cash was $963,683 at October 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.

14. Financial risk management (continued)

(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 and transacts all sales in 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.

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 and shareholders' equity 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 year.

15. Subsequent Events

a) 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.

b) On November 16, 2018, the Company granted options to acquire 4,525,000 shares of common stock upon the exercise of 4,525,000 stock options at $0.30 per share for five years.

c) On November 16, 2018, the Company entered into a sales and distribution agreement. Pursuant to the agreement, the Company granted distribution rights to sell products manufactured by the Company in Asia and Europe for a term of two years.