



## **Harrys and Sopatyk Seed Farms enter into Letter of Intent to form Joint Venture for the cultivation and processing of Hemp and Hemp-Related Products**

Vancouver, British Columbia – August 15, 2019 – Harrys Manufacturing Inc. (CSE:HARY) ("**Harrys**" or the "**Company**"), is pleased to announce it has entered into a non-binding letter intent dated as of August 12, 2019 (the "**LOI**") with Sopatyk Seed Farms Ltd. ("**Sopatyk Farms**") for the construction and operation of hemp cultivation and processing facilities in Canada (the "**Transaction**").

Pursuant to the terms of the LOI, Harrys and Sopatyk Farms intend to jointly design, build and manage construction of a facility (the "**Facility**") located in Saskatoon, Saskatchewan for the production of hemp and hemp-related products including pre-rolled hemp cigarettes. The parties intent to form a joint venture entity ("**JVCo**") to fund the construction and operation of the Facility. The voting securities of JVCo are intended to be owned equally by Harrys and Sopatyk Farms and JVCo will enter into a 10 year lease agreement with Sopatyk Farms (with renewable terms) for the purpose of leasing the property for the Facility. Sopatyk Farms is expected to act as operator for JVCo and set up the quality assurance program to comply with all applicable requirements of Health Canada. Under the terms of the LOI: Harrys will purchase 100% of the total hemp and hemp-related products produced by the Facility pursuant to an offtake agreement to be negotiated between JVCo and Harrys which is expected to include a net revenue royalty to the JVCo with respect to the sale of pre-rolled hemp cigarettes manufactured by Harrys, and each of the parties will receive a percentage of the net revenue generated by the Facility in proportion to their respective voting securities of JVCo.

All management services of Sopatyk Farms to the JVCo will be provided under fixed price service contracts on standard commercial terms to be negotiated between JVCo, Harrys and Sopatyk Farms. Under the terms of the LOI the agreement may only be terminated by: mutual consent of the parties, by either party by September 12, 2019 if not satisfied with its due diligence review of the other party, by either party in the event of a material breach of the LOI terms by the other party or by either party if the definitive agreement respecting the Transaction is not entered into by October 31, 2019.

Closing of the Transaction is subject to the satisfaction of a number of conditions, including but not limited to: the parties entering into a definitive joint venture agreement, lease agreement, shareholders agreement and management and operating agreement in respect of the Transaction on or before October 31, 2019, the parties obtaining all consents, waivers and corporate and third party approvals necessary, including any required approval of the Canadian Securities Exchange, satisfactory completion of each of the parties respective due diligence review; and receipt of all permits, licenses, zoning approvals and any related approvals required for construction of the Facility.

The Definitive Agreement will incorporate the principal terms of the Transaction described herein and, such other terms and provisions of a more detailed structure and nature as the parties may agree upon after receiving further tax, legal, securities, regulatory, and financial advice from their respective advisors. Additional details regarding the Transaction will be provided in a comprehensive press release once the parties reach final terms on the Definitive Agreement and related agreements. There is no assurance that the Transaction will be completed as planned or at all.

## **About Harrys**

Harrys is a distributor and manufacturer of affordable, high quality, organically grown tobacco cigarettes to international customers. Harrys utilizes various types of tobacco and blend components from Canadian growers to satisfy customer demands and preferences for products that meet Health Canada standards. Harrys management team brings over 50 years of combined experience in the domestic and international tobacco industry.

Neither the Canadian Securities Exchange nor its Regulation Services Provider accepts responsibility for the adequacy or accuracy of this release.

## **FORWARD-LOOKING STATEMENTS:**

*Cautionary Note Regarding Forward-Looking Statements: This release includes certain statements and information that may constitute forward-looking information within the meaning of applicable Canadian securities laws. All statements in this news release, other than statements of historical facts, including statements regarding future estimates, plans, objectives, timing, assumptions or expectations of future performance, including the Company's plan to enter into a definitive joint venture agreement and the joint venture's ability to cultivate hemp and produce hemp and hemp-related products are forward-looking statements and contain forward-looking information. Generally, forward-looking statements and information can be identified by the use of forward-looking terminology such as "intends" or "anticipates", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would" or "occur". Forward-looking statements are based on certain material assumptions and analysis made by the Company and the opinions and estimates of management as of the date of this press release, including that the Company's joint venture will be successful in cultivate hemp and produce hemp and hemp-related products and that the Company will be successful in entering into a definitive joint venture agreement. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements or forward-looking information. Important factors that may cause actual results to vary, include, without limitation, the joint venture will not be successful in cultivate hemp and produce hemp and hemp-related products and/or the Company will not be successful in reaching a definitive joint venture agreement. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements or forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information. Readers are cautioned that reliance on such information may not be appropriate for other purposes. The Company does not undertake to update any forward-looking statement, forward-looking information or financial out-look that are incorporated by reference herein, except in accordance with applicable securities laws.*