Condensed Interim Consolidated Financial Statements of

HARRYS MANUFACTURING INC.

October 31, 2021

Expressed in Canadian Dollars

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated 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

As at	Note	**October 31, 2021** (Unaudited)	**July 31, 2021**
		$	$
ASSETS			
Current			
Cash		399,982	363,796
Amounts receivable		9,337	8,756
Prepaid expenses	4	353,106	329,593
Total current assets		762,425	702,145
Property and equipment	5	101,698	105,002
Right-of-use asset	6	231,554	238,432
Total assets		1,095,677	1,045,579
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	56,909	38,648
Wages payable	8	53,016	53,016
Current portion of lease liability	11	11,527	10,889
Loan payable	9	191,870	185,974
Total current liabilities		313,322	288,527
Convertible debenture	10	172,035	163,660
Lease liability	11	249,945	253,077
Total liabilities		735,302	705,264
SHAREHOLDERS' EQUITY			
Share capital	12	20,918,810	20,918,810
Reserves	12	3,619,818	3,619,818
Subscription received		222,188	–
Deficit		(24,400,441)	(24,198,313)
Total shareholders' equity		360,375	340,315
Total liabilities and shareholders' equity		1,095,677	1,045,579

Going concern (Note 2)
Commitments (Note 15)
Subsequent events (Note 16)

On behalf of the Board of Directors:

"Daniel Polus" 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, 2021	Three months ended October 31, 2020
		$	$
Expenses			
Amortization and depreciation	5, 6	10,182	10,181
Consulting fees		–	2,500
Management fees	8	67,500	40,050
Office and administrative		69,739	17,860
Professional fees		12,652	24,090
Shareholder communications		1,800	7,800
Transfer agent and filing fees		7,852	3,940
Total expenses		169,725	106,421
Net loss before other items		(169,725)	(106,421)
Other items			
Interest expense	8	(32,403)	(15,639)
Net loss and comprehensive loss		(202,128)	(122,060)
Basic and diluted loss per common share		(0.00)	(0.00)
Weighted average number of common shares outstanding, basic and diluted		84,846,690	78,291,047

HARRYS MANUFACTURING INC.
Consolidated Statements of Changes in Equity
Expressed in Canadian dollars
(Unaudited)

	Share Capital					
	Number of Common shares	Amount	Reserves	Subscriptions Received	Deficit	Shareholders' Equity
		$	$	$	$	$
Balance, as at July 31, 2020	77,391,358	20,015,764	3,280,628	–	(22,998,317)	298,075
Shares issued upon the exercise of stock options	3,767,000	452,040	–	–	–	452,040
Net loss for the period	–	–	–	–	(122,060)	(122,060)
October 31, 2020	81,158,358	20,467,804	3,280,628	–	(23,120,377)	628,055
Balance, as at July 31, 2021	84,846,690	20,918,810	3,619,818	–	(24,198,313)	340,315
Share subscriptions received	–	–	–	222,188	–	222,188
Net loss for the period	–	–	–	–	(202,128)	(202,128)
Balance, as at October 31, 2021	84,846,690	20, 918,810	3, 619,818	222,188	(24,400,441)	360,375

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

	Three months ended October 31, 2021	Three months ended October 31, 2020
	$	$
Operating activities		
Net loss for the period	(202,128)	(122,060)
Adjustment for non-cash items:		
Amortization	10,182	10,181
Interest expense on lease liability	15,131	15,639
Accretion and interest	14,271	–
Changes in non-cash operating working capital items:		
Amounts receivable	(581)	1,361
Prepaid expenses	(23,513)	–
Accounts payable and accrued liabilities	18,261	7,940
Net cash used in operating activities	(168,377)	(86,939)
Financing activities		
Proceeds received from share issuances	–	452,040
Subscriptions received	222,188	–
Lease repayments	(17,625)	(17,625)
Net cash provided by financing activities	204,563	434,415
NET CASH INFLOWS	36,186	347,476
Cash, beginning of period	363,796	239,121
Cash, end of period	399,982	586,597

1. Nature of Operations

Harrys Manufacturing Inc. (the "Company") was incorporated under the laws of the Province of British Columbia on July 31, 2007, formerly under the name of Westridge Resources Inc. ("Westridge"). The Company's common shares are listed for trading on the Canadian Securities Exchange (the "CSE") under the symbol "HARY".

On January 22, 2018, and 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 common shares of the Company (the "Acquisition"). HIMI's principal business was the sale and distribution of tobacco products exclusively to purchasers located outside of Canada and the United States. The Acquisition closed on October 4, 2018 and the Company changed its name from Westridge Resources Inc. to Harrys Manufacturing Inc. The Company has transitioned its efforts to focus on tobacco sales in Canada.

The head office and registered address and records office of the Company are located at Suite 1070 - 1055 West Hastings Street, Vancouver, BC V6E 2E9.

The condensed interim consolidated financial statements were authorized for issuance on December 22, 2021 by the Board of Directors.

Impact of COVID-19 on the Financial Position of the Company

In December 2019, a strain of novel coronavirus (now commonly known as "COVID-19") was reported to have surfaced in Wuhan, China. COVID-19 has since spread rapidly throughout many countries, and, on March 11, 2020, the World Health Organization declared COVID-19 to be a pandemic. In an effort to contain and mitigate the spread of COVID-19, many countries, including Canada and the United States, have imposed unprecedented restrictions on travel, and there have been business closures and a substantial reduction in economic activity in countries that have had significant outbreaks of COVID-19.

At this time, the Company remains open for business; however, significant uncertainty remains as to the potential impact of the COVID-19 pandemic on our operations, and on the global economy as a whole. Government-imposed restrictions on travel and other "social-distancing" measures such restrictions on assembly of groups of persons, have the potential to disrupt government agencies who the Company does business with, supply chains for materials used to manufacture products and sales channels for our products, as well as may result in labor shortages.

It is currently not possible to predict how long the pandemic will last or the time that it will take for economic activity to return to prior levels. Management continues to monitor the COVID-19 situation closely and intends to follow health and safety guidelines as they evolve.

2. Basis of Preparation

Going Concern

These condensed interim consolidated 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. To date the Company has incurred losses and further losses are expected in the 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.

2. Basis of Preparation (continued)

Going Concern (continued)

The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds from there and/or raise equity capital or borrowings sufficient to meet its current and future obligations. Management intends to finance operating costs over the next twelve months from working capital, cash flow from operations and, if necessary, from loans from directors and companies controlled by directors and/or exercise of outstanding options and warrants and 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. If the Company is unable to achieve profitability or 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 consolidated 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. These adjustments could be material.

3. Significant accounting policies

Statement of compliance and principals of consolidation

These condensed 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. These condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended July 31, 2021, 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

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, HIMI. All intercompany transactions and balances have been eliminated on consolidation.

These condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. In addition, these condensed interim consolidated financial statements are prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss ("FVTPL"), which are stated at their fair value.

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

Basis of measurement

These condensed 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 condensed interim 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; the useful lives of long-lived assets; inputs used to determine the present value of right-of-use asset, and the recoverability of long-lived assets.

(Expressed in Canadian dollars unless otherwise noted)

4. Prepaids and Deposits

	October 31, 2021 $	July 31, 2021 $
Inventory deposit	254,980	240,000
Provincial Tobacco Tax deposit	50,000	50,000
Source deductions recoverable	29,425	29,425
Prepaid expenses	18,701	10,168
	353,106	329,593

5. Property and Equipment

	Leasehold Improvements $	Furniture and Fixtures $	Total $
Cost:			
Balance, July 31, 2021 and October 31, 2021	109,056	14,657	123,713
Accumulated depreciation:			
Balance, July 31, 2021	14,538	4,173	18,711
Depreciation	2,726	578	3,304
Balance, October 31, 2021	17,264	4,751	22,015
Carrying amount:			
Balance, July 31, 2021	94,518	10,484	105,002
Balance, October 31, 2021	91,792	9,906	101,698

6. Right-of-use Asset

	Building $
Cost:	
Balance, July 31, 2021 and October 31, 2021	275,114
Accumulated amortization:	
Balance at July 31, 2021	36,682
Amortization	6,878
Balance at October 31, 2021	43,560
Carrying amount:	
Balance at July 31, 2021	238,432
Balance at October 31 2021	231,554

(Expressed in Canadian dollars unless otherwise noted)

7. Accounts Payable and Accrued Liabilities

	October 31, 2021 $	July 31, 2021 $
Accounts payable	12,551	3,257
Accrued liabilities	44,358	35,391
	56,909	38,648

8. Related Party Transactions and Balances

Related party transactions

The Company incurred key management compensation as follows:

Three months ended October 31,	2021 $	2020 $
Management fees accrued or paid to the President and CEO, CFO and directors	67,500	40,050

As at October 31, 2021, $4,500 (July 31, 2021 - $3,000) was owed to a Director of the Company and a company owned by a Director of the Company.

On March 1, 2021, the Company issued an unsecured promissory note with a principal amount of $200,000 to a company controlled by the family of a former director of the Company. During the three months ended October 31, 2021, the Company incurred interest of $3,000 (2020 - $Nil) related to this note. Refer to Note 9.

On April 1, 2020, the Company entered into an agreement to lease a distribution warehouse facility with a company controlled by the family of a director of the Company. During the three months ended October 31, 2021, the Company paid $17,625 (2020 - $Nil) in rent expense related to this lease agreement. Refer to Note 11.

Wages Payable

As at October 31, 2021, $53,016 (July 31, 2021 - $53,016) in wages payable is outstanding in relation to transactions with related parties, which are non-interest bearing, unsecured and due on demand.

9. Promissory Note

On March 1, 2021, the Company issued an unsecured promissory note with a principal amount of $200,000 to a company controlled by the family of a director of the Company. The note bears interest at a rate of 6% per annum and is repayable on March 1, 2022. Interest on the note is payable monthly. The promissory note was discounted at issuance to a fair value of $176,667, using a discount rate of 20%, which is the estimated interest rate the Company would pay on a similar debt instrument. During the year ended July 31, 2021, the Company recorded accretion expense of $9,037 and incurred interest of $5,000. During the three months ended October 31, 2021, the Company recorded accretion expense of $5,896, which is included in interest expense, and incurred interest of $3,000. As at October 31, 2021, the carrying value of the loan is $191,870.

10. Convertible Debenture

On March 2, 2021, the Company issued an unsecured convertible debenture with a principal amount of $200,000. The debenture bears interest at a rate of 6% per annum and is repayable on March 2, 2023. The debenture is convertible at $0.10 per unit prior to March 2, 2022 and at $0.12 per unit after March 2, 2022 and prior to maturity. Each unit will consist of one common share and one common share purchase warrant. Each warrant will be exercisable into one additional common share at an exercise price of $0.12 per warrant for two years.

(Expressed in Canadian dollars unless otherwise noted)

10. Convertible Debenture (continued)

The present value of the convertible debenture at issuance was $155,556, using a discount rate of 20%, which is the estimated interest rate the Company would pay on a similar debt instrument without a conversion option or warrants, with the residual value of $44,445 being allocated to the equity component. The Company also incurred debt issuance costs of $4,768, which are included as a discount on the debenture. The resulting combined discount of $49,213 will be recognized over the term of the loan using the effective interest rate method. During the year ended July 31, 2021, the Company recorded accretion interest of $7,908 and recorded accrued interest of $4,964. During the three months ended October 31, 2021, the Company recorded accretion interest of $5,351, which is included in interest expense, and recorded accrued interest of $3,025. As at October 31, 2021, the carrying value of the convertible debenture was $172,035.

11. Lease Liability

On April 1, 2020, the Company entered into a lease agreement with a company controlled by the family of a related party (Note 8) for inventory warehouse space located at 30445 Progressive Way, Abbotsford, British Columbia. The lease is for a 10-year term, expiring on March 31, 2030, with one 5-year renewal option and an option for the Company to terminate the lease anytime with 60 days' notice. The base rent is $5,875 plus tax per month during the term of the lease.

Management has determined the lease is enforceable for the Company as lessee because there is more than insignificant economic penalty to terminate the lease and therefore recognized the underlying right-of-use asset and lease liability on the consolidated statements of the financial position. The lease liability was discounted using the Company's estimated incremental borrowing rate of 23%.

	$
Lease liabilities as at July 31, 2021	263,966
Less: lease payments	(17,625)
Interest expense	15,131
Lease liability as at October 31, 2021	261,472
Less: current portion of lease liability	(11,527)
Lease liability	249,945

The Company's future minimum lease payments for the leased space are as follows:

	$
Fiscal year ending July 31, 2022	52,875
Fiscal year ending July 31, 2023	70,500
Fiscal year ending July 31, 2024	70,500
Fiscal year ending July 31, 2025	70,500
Fiscal years ended July 31, 2026 to 2030	329,000
Total lease payments	593,375
Amounts representing interest over the term of the lease	(331,903)
Present value of net lease payments	261,472

12. Share Capital and Reserves

(a) Authorized:

Unlimited number of common shares without nominal or par value.

(b) Issued

As at October 31, 2021, there were 84,846,690 (July 31, 2021 – 84,846,690) issued and outstanding common shares.

(Expressed in Canadian dollars unless otherwise noted)

12. Share Capital and Reserves (continued)

(b) Issued (continued)

As at October 31, 2021, there were no shares remaining in escrow (July 31, 2021 – 2,687,015). Escrow releases were scheduled as follows, 10% released upon completion of the Acquisition followed by six subsequent releases of 15% every nine months thereafter. On October 11, 2019, 8,000,000 common shares held in escrow were returned to the Company and cancelled. During the three months ended October 31, 2021, the final 2,687,015 shares were released from escrow.

(c) Share transactions

During the three months ended October 31, 2021

During the three months ended October 31, 2021, the Company received $222,188 proceeds relating to a subsequent private placement (Note 16).

During the three months ended October 31, 2020:

During the three months ended October 31, 2020, the Company issued 3,767,000 shares upon the exercise of warrants at $0.12 per share for proceeds of $452,040.

(d) Share purchase warrants

The changes in warrants during the three months ended October 31, 2021 and the year ended July 31, 2021 were as follows:

	October 31, 2021		July 31, 2021	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning of the period	4,072,332	$ 0.19	18,244,737	$ 0.29
Issued	–	–	4,072,332	0.19
Exercised	–	–	(3,767,000)	0.12
Expired	–	–	(14,477,737)	0.33
Warrants outstanding, end of the period	4,072,332	$ 0.19	4,072,332	$ 0.19

A summary of the Company's outstanding warrants as at October 31, 2021 is as follows:

Number of warrants	Exercise price	Expiry date
500,000	$ 0.15	November 19, 2025
3,528,332	$ 0.20	May 13, 2022
* 44,000	$ 0.20	May 13, 2022
4,072,332		

* *Finder warrants*

(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 shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company's shares, 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.

(Expressed in Canadian dollars unless otherwise noted)

12. Share Capital and Reserves (continued)

(e) Stock options (continued)

A summary of stock option transactions during the three months ended October 31, 2021 and the year ended July 31, 2021 were as follows:

	October 31, 2021		July 31, 2021	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding, beginning of the period	4,380,000	$ 0.17	3,540,000	$ 0.17
Granted	–	–	1,500,000	0.16
Cancelled	–	–	(500,000)	0.13
Exercised	–	–	(160,000)	0.13
Outstanding, end of the year	4,380,000	$ 0.17	4,380,000	$ 0.17
Exercisable, end of the year	4,380,000	$ 0.17	4,380,000	$ 0.17

No options were exercised during the three months ended October 31, 2021. During the year ended July 31, 2021, the weighted average trading price of the Company's shares at the time of exercise was $0.11.

The following stock options were outstanding and exercisable as at October 31, 2021:

Number of Options	Exercise price	Expiry date
240,000	$ 0.17	January 17, 2022
200,000	0.30	February 3, 2022
640,000	0.125	July 5, 2024
100,000	0.125	September 4, 2024
450,000	0.25	December 18, 2024
1,250,000	0.16	January 16, 2025
500,000	0.16	December 2, 2025
1,000,000	0.16	February 26, 2026
4,380,000	$ 0.17	

(f) Reserves

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

Share-based payments recognized and expensed during the three months ended October 31, 2021 was $Nil (2020 - $Nil).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted or vested during the three months ended October 31, 2021 and the year ended July 31, 2021:

	October 31, 2021	July 31, 2021
Risk-free interest rate	–	0.66%
Expected life of options	–	5 years
Annualized volatility	–	195%
Forfeiture rate	–	0%
Dividend rate	–	0%

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 major banks 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 also has minimal risk relating to smaller amounts 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 similar source.

As at October 31, 2021, the Company's current liabilities consisted of accounts payable and accrued liabilities of $56,909 (July 31, 2021 - $38,648), wages payable of $53,016 (July 31, 2021 - $53,016), promissory note of $191,870 (July 31, 2021 - $185,974) and current portion of lease liability of $11,527 (July 31, 2021 - $10,889). The Company's cash was $399,983 (July 31, 2021 - $363,796) at October 31, 2021 and was sufficient to fulfil 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.

13. Financial Risk Management (continued)

(c) Market risk (continued)

(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 does not carry significant financial instruments that are exposed to interest rate risk. In addition, 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 commodity or 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 to safeguard the Company's ability to continue as a going concern and provide returns for shareholder. 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 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 periods.

15. Commitments

(a) On April 21, 2020, the Company entered into an exclusive distribution agreement with a distributor for an initial term of 10 years. Pursuant to the agreement, the Company appointed the party as the exclusive agent to distribute, market sell and supply tobacco products manufactured by the Company for sale in Canada and granted the agent a non-exclusive, non-transferable, royalty-free license to use any all trademarks and trade names owned by the Company.

(b) On November 19, 2020, the Company entered into an exclusive manufacturing agreement with an initial term of five years that will automatically renew on a yearly basis subject to earlier termination. Pursuant to the agreement, the Company issued to the exclusive manufacturer 500,000 share purchase warrants exercisable for five years at $0.15 per share. On February 23, 2021, the Company advanced $200,000 to the manufacturer providing services in exchange for a promissory note. The note is unsecured, non-interest bearing and due upon termination of the manufacturing agreement. The note may be repaid through agreed upon installment payments. The sole purpose of the advance is to pay an additional security deposit to the Canada Revenue Agency for the purchase of federal excise tax stamps, to enable the manufacturer to manufacture tobacco cigarettes. During the year ended July 31, 2021, as future sales volumes were not readily determinable, the Company impaired the carrying value of the loan to $Nil.

16. Subsequent Event

On November 2, 2021, the Company completed a non-brokered private placement of 3,759,917 units at a price of $0.12 per unit for proceeds of $451,190, of which $222,188 was received as of October 31, 2021 (Note 12(c)). Each Unit consisted of one common share and one full share purchase warrant. Each share purchase warrant is exercisable into one additional common share at an exercise price of $0.20 per share on or before November 2, 2023.