

**HARRYS MANUFACTURING INC.**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED APRIL 30, 2024**

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The following Management’s Discussion and Analysis (“MD&A”) is dated June 18, 2024 and should be read in conjunction with the condensed interim consolidated financial statements of Harrys Manufacturing Inc. (“Harrys” or the “Company”) for the nine months ended April 30, 2024.

**FORWARD-LOOKING INFORMATION**

Statements herein that are not historical facts and are forward-looking statements that are subject to risks and uncertainties. Words such as “expects”, “intends”, “may”, “could”, “should”, “anticipates”, “likely”, “believes” and words of similar import also identify forward-looking statements. Forward-looking statements are based on current facts and analyses and other information that are based on forecasts of future results, estimates of amounts not yet determined and assumptions of management, including, but not limited to, the Company’s ability to raise additional debt and/or equity financing to fund operations and working capital requirements. Actual results may differ materially from those currently anticipated due to a number of factors including, but not limited to, general economic conditions, the Company’s ability to generate sufficient cash flows from operations and from financing to support general operating activities and capital expansion plans, and laws and regulations and changes thereto that may affect operations, and other factors beyond the reasonable control of the Company.

Management periodically reviews information reflected in forward-looking statements. The Company has and continues to disclose in its Management’s Discussion and Analysis and other publicly filed documents, changes to material factors or assumptions underlying the forward-looking statements and to the validity of the statements themselves, in the period the changes occur.

Historical results of operations and trends that may be inferred from the above discussions and analysis may not necessarily indicate future results from operations.

**BUSINESS DESCRIPTION AND READER GUIDANCE**

Harrys was incorporated under the laws of the Province of British Columbia in 2007, formerly under the name of Westridge Resources Inc. The Company had previously focused on the acquisition, evaluation and exploration of mineral resource properties.

On December 22, 2017, the Company entered into a Letter of Intent with Harrys International Manufacturing Inc. (“HIMI”) to acquire all of the issued and outstanding common shares of HIMI (the “HIMI Shares”) in exchange for the common shares of the Company. HIMI initially focused on international sales but is now entirely focused on establishing a presence in the Canadian tobacco market.

On January 22, 2018, the Company entered into a Share Exchange Agreement with HIMI. Pursuant to the agreement, the Company agreed to acquire all of the issued and outstanding shares of HIMI in exchange for the issuance of 28,500,100 shares of common stock of the Company to the shareholders of HIMI. The Acquisition closed on October 4, 2018. On October 4, 2018, the Company also changed its name from Westridge Resources Inc. to Harrys Manufacturing Inc. On October 17, 2018, the Company shares commenced trading on the CSE under the symbol “HARY”.

**Tobacco Cigarette Sales**

The Canadian cigarette market is dominated by a multinational oligopoly. As relentless tax increases drive many adult consumers out of the regulated market and into the unregulated market, the multinationals have responded to shrinking revenues by increasing their prices. This perpetual cycle, combined with rising taxes, has led to high cigarette prices in the marketplace.

Harrys® seeks to exploit this potential vulnerability by participating in a Sub Value-Priced category. We're actively pursuing wholesale and retail customers who are able to work with us, despite the dominant oligopoly. We promote quality at a good price, and one of the few Canadian-Made tobacco products. Management continues to meet with clients and potential clients to continue to further develop a robust retail network. We anticipate continued support from our trading partners to fuel our growth.

## Reader Guidance

The Company's condensed interim consolidated financial statements were prepared in accordance with IFRS that are applicable to a going concern, which contemplate the realization of assets and the settlement of liabilities and commitments 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, 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. 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 or achieve profitability in the near term, management expects that the Company may need to curtail operations, liquidate assets, seek additional capital on less favorable terms and/or pursue other remedial measures. The 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.

## SELECTED QUARTERLY FINANCIAL INFORMATION

The following information is derived from the Company's quarterly financial statements for the past eight quarters and has been prepared using IFRS:

	Three Months Ended April 30, 2024	Three Months Ended January 31, 2024	Three Months Ended October 31, 2023	Three Months Ended July 31, 2023
Revenue	\$ 25,607	\$ 21,633	\$ 7,292	\$ 18,721
Loss for the period	(79,643)	(120,466)	(1,963)	(141,195)
Loss per share - basic and diluted	(0.00)	(0.00)	(0.00)	(0.01)
Total assets	62,459	79,903	152,093	94,281

	Three Months Ended April 30, 2023	Three Months Ended January 31, 2023	Three Months Ended October 31, 2022	Three Months Ended July 31, 2022
Revenue	\$ 955	\$ 8,289	\$ Nil	\$ Nil
Loss for the period	(185,606)	(156,353)	(166,990)	(421,967)
Loss per share - basic and diluted	(0.00)	(0.00)	(0.00)	(0.00)
Total assets	145,591	294,417	301,759	289,127

Fluctuations in the Company's expenditures reflect the variations in the timing of general operations, and the ability of the Company to raise capital for its projects, including share-based payments during certain quarters. For future tobacco cigarette sales in Canada the Company will rely on existing funds to cover the cost of manufacturing and the cost of the required Federal Excise Tax stamps, prior to receiving payment from its Canadian wholesale distributor.

Net loss decreased during the three-month period ended April 30, 2024 over the three months January 31, 2024, as a result of decrease in management fees, professional fees expenses and filing fees.

Net loss increased during the three-month period ended January 31, 2024 over the three months October 31, 2023, as a result of increase in professional fees expenses and filing fees.

Net loss decreased during the three-month period ended October 31, 2023 over the three months July 31, 2023, as a result of a decrease in office and administrative expenses and write-off of historical payable to former related parties.

Net loss decreased during the three-month period ended July 31, 2023 over the three months ended April 30, 2023, as a result of a decrease in professional fees and share-based compensation as options were granted in the three months ended April 30, 2023.

Net loss increased during the three-month period ended April 30, 2023 over the three months ended January 31, 2023, as a result of an increase in office and administrative and transfer agent and filing fees and offset by a decrease in professional fees and revenue in the three months ended July 31, 2023.

Net loss decreased during the three-month period ended January 31, 2023 over the three months ended October 31, 2022, as a result of a decrease in office and administrative and transfer agent and filing fees and offset by an increase in professional fees and revenue in the three months ended January 31, 2023.

Net loss decreased during the three-month period ended October 31, 2022 over the three months ended July 31, 2022, as a result of impairment of the deposit for future inventory in the three months July 31, 2022.

Net loss increased during the three-month period ended July 31, 2022 over the three months April 30, 2022, as a result of impairment of the deposit for future inventory.

## **RESULTS OF OPERATIONS**

During the nine months ended April 30, 2024, the Company incurred operating expenses of \$268,452 compared to operating expenses of \$501,446 during the nine months ended April 30, 2023. The decrease in operating expenses was mainly due to a decrease in share-based payments of \$101,129 and decrease of management fee of \$119,945.

For the nine months ended April 30, 2024, the Company recorded net loss of \$202,072 (\$0.00 loss per share) compared to a net loss of \$508,949 (\$0.01 loss per share) for the nine months ended April 30, 2023. The loss is mainly comprised of management fees of \$87,500 (2023 - \$207,445), office and administrative of \$33,600 (2023 - \$64,580), professional fees of \$116,239 (2023 - \$96,228), share based payments of \$Nil (2023 - \$101,129), transfer agent and filing fees of \$15,143 (2023 - \$25,291), interest expense of \$Nil (2023 - \$2,220), write-off of wages payable of \$53,016 (2023 - \$Nil) and loss on conversion of convertible debt of \$Nil (2023 - \$31,250).

For the three months ended April 30, 2024, the Company recorded net loss of \$79,643 (\$0.00 loss per share) compared to a net loss of \$185,606 (\$0.00 loss per share) for the three months ended April 30, 2023. The loss is mainly comprised of management fees of \$30,000 (2023 - \$38,945), office and administrative fees of \$15,174 (2023 - \$16,554), professional fees of \$28,957 (2023 - \$52,999), transfer agent and filing fees of \$4,604 (2023 - \$3,461).

## **LIQUIDITY AND CAPITAL RESOURCES**

As at April 30, 2024, the Company had cash of \$2,636 (July 31, 2023 - \$16,869) and total assets of \$62,459 (July 31, 2023 - \$94,281).

The Company had a working capital deficit of \$330,960 at April 30, 2024 compared to working capital deficit of \$245,328 at July 31, 2023. The increase in working capital deficit was primarily due to an increase in accounts payable and accrued liabilities, which was partially offset by an increase in cash and amounts receivable.

For the nine months ended April 30, 2024, the Company's cash flow activity was as follows:

Operating Cash Flows

During the nine months ended April 30, 2024, net cash used in operations was \$129,405 (2023 - \$240,188).

Investing Cash Flows

During the nine months ended April 30, 2024, net cash provided by investing activities was \$Nil (2023 - \$198,995) due to redemption of deposit in the comparative period.

Financing Cash Flows

During the nine months ended April 30, 2024, net cash provided by financing activities was \$115,172 (2023 - \$53,884), which includes proceeds received from share issuance of \$119,970 (2023 – warrant exercise of \$50,000 and option exercise of \$21,998).

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements and exercise of stock options and warrants, and loans from related parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

## **BUSINESS RISKS**

In the normal course of business, the Company is exposed to a variety of risks and uncertainties. In addition to the risks associated with liquidity and capital resources, critical accounting estimates, financial instruments, credit risk and market risk described in this MD&A, the Company is exposed to various operational, technical, financial and regulatory risks and uncertainties, many of which are beyond its control and may significantly affect future results. Operations may be unsuccessful or delayed as a result of competition for products and services, supplies and equipment, mechanical and technical difficulties, the ability to attract and retain employees and contractors on a cost-effective basis, commodity and marketing risk and seasonality.

The Company is exposed to considerable risks and uncertainties including, but not limited to;

- financial risks including access to debt or equity markets which the Company is dependent upon in order to meet obligations and liabilities as they fall due;
- obtaining timely regulatory and license approvals;
- fluctuations in commodity prices;
- adverse factors including climate, geographical and weather conditions, pandemics and labor disputes;
- timing of future debt and other obligations;
- regulatory legislation and policies, including the fulfilment of contractual minimum work programs, the compliance with which may require significant expenditures and non-compliance with which may result in fines, penalties, production restrictions, suspensions or revocations of contracts;
- changes to taxation policies, laws and interpretations thereof; and,
- obtaining comprehensive and appropriate insurance coverage at reasonable rates;

## **CRITICAL ACCOUNTING ESTIMATES AND POLICIES**

The preparation of the Company's consolidated 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.

## **CHANGE IN ACCOUNTING POLICY AND NEW ACCOUNTING STANDARDS**

During the nine months ended April 30, 2024, there were no changes in accounting policies and no new accounting standards were adopted.

## **FINANCIAL INSTRUMENTS**

Financial instruments are accounted for in accordance with IFRS 9 Financial Instruments: Classification and Measurement. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Company's financial instruments consist of cash, restricted cash, amounts receivables, accounts payable and wages payable. Accounts receivables are initially recognized when they are originated. All other financial assets and liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI - equity investment; or fair value through profit or loss ("FVTPL"). Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets at amortized cost: These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statements of loss and comprehensive loss. Any gain or loss on derecognition is recognized in the consolidated statements of loss and comprehensive loss.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company enters into transactions whereby it transfers assets recognized in its consolidated statements of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the consolidated statements of loss and comprehensive loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the consolidated statements of loss and comprehensive loss. Any gain or loss on derecognition is also recognized in the consolidated statements of loss and comprehensive loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the consolidated statements of loss or comprehensive loss.

## RISKS

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.

The Company is exposed to the following risks:

(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's secondary exposure to this risk is on its receivables. The Company also has minimal risk relating to a 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 April 30, 2024, the Company's current liabilities consisted of accounts payable and accrued liabilities of \$392,139 (July 31, 2023 – \$284,045) and wages payable of \$Nil (July 31, 2023 – \$53,016). The Company's cash was \$2,636 (July 31, 2023 - \$16,869) as at April 30, 2024 and wasn't 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.

(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.

## OFF-BALANCE SHEET ARRANGEMENTS

Disclosure is required of all off-balance sheet arrangements that are reasonably likely to have a current or future effect on the results of operations or financial condition of the Company. Harrys does not have such off-balance sheet arrangements.

## TRANSACTIONS WITH RELATED PARTIES

The Company incurred key management compensation as follows:

	2024	2023
Nine months ended April 30,	\$	\$
Management fees accrued or paid to the President and CEO, CFO, directors and former officers and directors	87,500	207,445
Share-based payments	-	87,190
Total fees paid to related parties	87,500	294,635

As at April 30, 2024, \$3,048 (July 31, 2023 - \$3,048) was owed to a company owned by the former CFO of the Company, which is included in accounts payable and accrued liabilities.

As at April 30, 2024, \$Nil (July 31, 2023 - \$1,353) was owed to a Director of the Company and a company owned by a Director of the Company, which is included in accounts payable.

As at April 30, 2024, \$Nil (July 31, 2023 - \$1,233) was owed to a former Director of the Company, which is included in accounts payable and accrued liabilities.

As at April 30, 2024, \$100,850 (July 31, 2023 - \$87,846) was owed to the Vice-President of the Company and a company owned by the President of the Company, which is included in accounts payable and accrued liabilities.

As at April 30, 2024, \$7,500 (July 31, 2023 - \$Nil) was owed to CEO of the Company, which is included in accounts payable and accrued liabilities.

During the period ended April 30, 2024, the Company wrote-off payables of \$53,016 owed to former related parties due to the statute of limitations on the outstanding amounts have lapsed. As at April 30, 2024, \$Nil (July 31, 2023 - \$53,016) in wages payable is outstanding in relation to transactions with former related parties, which are non-interest bearing, unsecured and due on demand.

During the year ended July 31, 2023, the Company settled payable amounts of \$74,725 owed to related parties into 747,250 units and recorded a loss of \$59,237. The Company settled payable amounts of \$80,000 owed to a related party into 1,805,569 common shares and recorded a gain of \$7,765.

## OUTSTANDING SHARE DATA

### *Common shares*

The following table sets forth the Company's outstanding share data as at June 18, 2024:

Total common shares	99,335,125
Total outstanding warrants	6,322,319
Total outstanding stock options	7,250,000
Total diluted common shares	103,748,525

## **CONTROLS AND PROCEDURES**

Disclosure controls and procedures ('DC&P') are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ('ICFR') are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. TSX Venture listed companies are not required to provide representations in filings relating to the establishment and maintenance of DC&P and ICFR, as defined in Multinational Instrument MI- 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding absence of misrepresentations and fair disclosures of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **ADDITIONAL INFORMATION**

Additional information about the Company is available under the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).