HARRYS MANUFACTURING INC.

Consolidated Financial Statements

July 31, 2024 and 2023

Expressed in Canadian Dollars

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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Independent Auditor's Report

To the Shareholders of Harrys Manufacturing Inc.

Opinion

We have audited the consolidated financial statements of Harrys Manufacturing Inc. (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2024 and 2023, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficit and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the financial statements, which indicates that the Company has incurred losses and further losses are expected in the future. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters, that in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is David Goertz.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

November 28, 2024

HARRYS MANUFACTURING INC.
Consolidated Statements of Financial Position
Expressed in Canadian Dollars

As at,	**July 31, 2024 $**	**July 31, 2023 $**
ASSETS		
Current assets		
Cash	**10,840**	16,869
Amounts receivable (Note 4)	**30,883**	15,855
Prepaid expenses (Note 5)	**1,855**	58,663
Inventory	**–**	346
Total current assets	**43,578**	91,733
Non-current assets		
Deposits (Note 5)	**30,000**	–
Property and equipment	**857**	2,548
Total assets	**74,435**	94,281
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Notes 6 and 7)	**488,590**	284,045
Wages payable (Note 7)	**53,016**	53,016
Total liabilities	**541,606**	337,061
SHAREHOLDERS' DEFICIT		
Share capital (Note 8)	**21,966,820**	21,826,448
Reserves (Note 8)	**4,174,056**	4,035,256
Subscriptions received in advance (Note 13)	**12,000**	–
Deficit	**(26,620,047)**	(26,104,484)
Total shareholders' deficit	**(467,171)**	(242,780)
Total liabilities and shareholders' deficit	**74,435**	94,281

Nature of operations and going concern (Notes 1 and 2)
Commitments (Note 11)
Subsequent events (Note 13)

Approved and authorized for issue by the Board of Directors on November 28, 2024:

/s/ "Ken Storey"
Ken Storey, Director

/s/ "Byron Striloff"
Byron Striloff, Director

HARRYS MANUFACTURING INC.
Consolidated Statements of Loss and Comprehensive Loss
Expressed in Canadian Dollars

	For the year ended July 31, 2024 $	For the year ended July 31, 2023 $
Revenue (Note 4)	48,120	23,496
Cost of sales	(54,974)	(26,578)
Gross loss	(6,854)	(3,082)
Expenses		
Amortization and depreciation	1,691	1,692
Bad debt expense (Note 4)	–	13,300
Consulting fees (Note 7)	24,148	–
Management fees (Note 7)	137,500	240,069
Office and administrative	40,686	71,303
Professional fees (Note 7)	150,493	123,692
Share-based payments (Notes 7 and 8)	134,000	94,147
Shareholder communications	7,247	7,637
Transfer agent and filing fees	19,553	36,823
Travel	3,391	9,958
Total expenses	(518,709)	(598,621)
Net loss before other income (expense)	(525,563)	(601,703)
Other income (expense)		
Recovery of expenses (Note 5)	10,000	40,000
Interest expense	–	(724)
Loss on settlement of debt (Notes 7 and 8)	–	(87,717)
Net loss and comprehensive loss	(515,563)	(650,144)
Loss per share, basic and diluted	(0.01)	(0.01)
Weighted average common shares outstanding	98,734,469	93,878,053

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

HARRYS MANUFACTURING INC.

Consolidated Statements of Changes in Shareholders' Deficit

Expressed in Canadian Dollars

	Share Capital					
	Number of shares	Amount	Reserves	Subscriptions received in advance	Deficit	Total Shareholders' Deficit
	#	$	$	$	$	$
Balance, as at July 31, 2022	90,770,007	21,420,202	3,926,613	–	(25,454,340)	(107,525)
Units issued on settlement of debt	3,866,119	296,664	52,078	–	–	348,742
Shares issued upon the exercise of warrants	500,000	67,500	(17,500)	–	–	50,000
Share-based payments	–	–	94,147	–	–	94,147
Shares issued upon the exercise of options	200,000	42,082	(20,082)	–	–	22,000
Net loss for the year	–	–	–	–	(650,144)	(650,144)
Balance, as at July 31, 2023	95,336,126	21,826,448	4,035,256	–	(26,104,484)	(242,780)
Units issued on private placements	5,498,999	149,970	–	–	–	149,970
Share issuance costs	–	(9,598)	4,800	–	–	(4,798)
Share-based payments	–	–	134,000	–	–	134,000
Subscriptions received in advance	–	–	–	12,000	–	12,000
Net loss for the year	–	–	–	–	(515,563)	(515,563)
Balance, as at July 31, 2024	100,835,125	21,966,820	4,174,056	12,000	(26,620,047)	(467,171)

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

HARRYS MANUFACTURING INC.
Consolidated Statements of Cash Flows
Expressed in Canadian Dollars

	For the year ended July 31, 2024 $	For the year ended July 31, 2023 $
Operating activities		
Net loss for the year	(515,563)	(650,144)
Adjustment for non-cash items:		
Accretion and interest	–	724
Amortization	1,691	1,692
Share-based payments	134,000	94,147
Loss on conversion of convertible debt	–	87,717
Changes in non-cash operating working capital items:		
Amounts receivable	(15,028)	(7,594)
Inventory	346	(346)
Prepaid expenses	26,808	8,723
Accounts payable and accrued liabilities	204,545	200,710
Net cash used in operating activities	(163,201)	(264,371)
Investing activities		
Redemption of deposit	–	200,000
Net cash provided by investing activities	–	200,000
Financing activities		
Proceeds from exercise of warrants	–	50,000
Proceeds from exercise of options	–	22,000
Proceeds received from share issuances	149,970	–
Share issuance costs	(4,798)	–
Subscriptions received in advance	12,000	–
Net cash provided by financing activities	157,172	72,000
Change in cash	(6,029)	7,629
Cash, beginning of year	16,869	9,240
Cash, end of year	10,840	16,869
Supplementary cash flow information		
Units issued on settlement of debt	–	348,742
Fair value of brokers' warrants	4,800	–

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

1. Nature of Operations

Harrys Manufacturing Inc. (the "Company") was incorporated under the laws of the Province of British Columbia on July 31, 2007. ("Westridge"). The Company's common shares are listed for trading on the Canadian Securities Exchange (the "CSE") under the symbol "HARY". The Company's principal business is tobacco sales in Canada.

The registered and records office of the Company is located at 250-750 W. Pender Street, Vancouver, BC V6C 2T7.

The consolidated financial statements were authorized for issuance on November 28, 2024, by the Board of Directors.

2. Basis of Preparation

Going Concern

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its asset and discharge its liabilities in the normal course of business. 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.

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 favorable 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.

Statement of Compliance and Principles of Consolidation

These consolidated financial statements have been prepared in accordance IFRS Accounting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Harrys International Manufacturing Inc ("HIMI"), under the laws of the Province of British Columbia. All intercompany transactions and balances have been eliminated on consolidation.

2. Basis of Preparation (continued)

Basis of Measurement

These 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.

Significant judgements, estimates and assumptions:

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 consolidated 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:

Share-based payments

Share-based payments are determined using the Black-Scholes Option Pricing Model based on estimated fair values of all share-based awards at the date of grant. The Black-Scholes Option Pricing Model utilizes assumptions such as expected price volatility, the expected life of the option and the number of options that may be forfeited. Changes in these input assumptions may affect the fair value estimate.

Deferred taxes

The Company recognizes the deferred tax benefit of deferred tax assets to the extent their recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions from deferred tax assets.

Going concern

These consolidated financial statements have been prepared in accordance with IFRS on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business within the foreseeable future. Management uses judgment in determining assumptions for cash flow projections, such as anticipated financing, anticipated sales and future commitments to assess the Company's ability to continue as a going concern. A critical judgment is that the Company continues to raise funds going forward and satisfy their obligations as they become due.

Allowance for doubtful accounts

Accounts receivable are recorded at invoiced amount and generally do not bear interest. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include growth and composition of accounts receivable, the relationship of the allowance for doubtful accounts to accounts receivable, and current economic conditions. The determination of the collectability of amounts due requires the Company to make judgments regarding future events and trends. Allowances for doubtful accounts are determined based on assessing the Company's portfolio on an individual customer and on an overall basis.

2. Basis of Preparation (continued)

<u>Allowance for doubtful accounts</u> (continued)

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

3. Material accounting policy information

These accounting policies have been used throughout all periods presented in the consolidated financial statements.

Revenue Recognition

The Company follows IFRS 15 *Revenue from Contracts with Customers*, which establishes a five-step model to account for revenue arising from contracts with customers:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price, which is the total consideration provided by the customer;
- allocate the transaction price among the performance obligations in the contract based on their relative fair values; and
- recognize revenue when the relevant criteria are met for each performance obligation.

The Company generates revenue principally from the sale and distribution of tobacco cigarettes. Revenue is recognized at a point of time when the control of the products has transferred to an external party, when all significant contractual obligations have been satisfied and there is no unfulfilled obligation that could affect the customer's acceptance of the products. These are generally met when products are shipped to the customer, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales order, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

Revenue is measured based on the price specified and provided to the customer.

Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined that the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to contributed surplus. The fair value of options is determined using a Black-Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

3. Material accounting policy information (continued)

Valuation of Equity Units Issued in Private Placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measured component based on fair value and then the residual value, if any, to the less easily measurable component

The fair value of the common shares issued in a private placement is determined to be the more easily measurable component and are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves

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.

(i) Recognition and classification

The Company's financial instruments consist of cash, receivables, accounts payable and wages payable. 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.

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 assets / liabilities	Classification
Cash	FVTPL
Amounts receivable	Amortized cost
Accounts payable	Amortized cost
Wages payable	Amortized cost

3. Material accounting policy information (continued)

Financial instruments (continued)

(ii) Measurement

Financial assets: Initial measurement

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: Subsequent measurement and gains and losses

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 statement of loss and comprehensive loss. Any gain or loss on derecognition is recognized in the consolidated statement of loss and comprehensive loss.

Financial liabilities

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the consolidated statement 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 statement of loss and comprehensive loss. Any gain or loss on derecognition is also recognized in the consolidated statement of loss and comprehensive loss.

(iii) Derecognition

Financial assets

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 statement 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

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 statement of loss or comprehensive loss.

3. Material accounting policy information (continued)

Income taxes

Current tax:

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax:

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share is calculated by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise share options granted. For the years presented, basic loss per share equals diluted loss per share as the impact of options and warrants would be antidilutive.

Expressed in Canadian Dollars

3. Material accounting policy information (continued)

Related party transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

New accounting standards and interpretations

The Company has performed an assessment of new standards issued by the IASB that are not yet effective. The Company has assessed that the impact of adopting these accounting standards on its financial statements would not be significant.

4. Amounts Receivable

	July 31, 2024 $	July 31, 2023 $
Sales tax receivable	19,656	10,660
Accounts receivable*	11,227	5,195
	30,883	15,855

The Company's revenue consists of sales of cigarette cartons. During the year ended July 31, 2024, the Company had sales of $48,762 (2023 – $23,496). During the year ended July 31, 2023, the Company determined that the $13,300 of amounts receivable was uncollectible and recorded as bad debt because the customer went into credit protection.

During the year ended July 31, 2024, four customers accounted for aggregated 82% (25%, 24%, 20% and 14%) of the Company's total revenue. During the year ended July 31, 2023, one customer individually accounted for 89% of the Company's total revenue.

5. Prepaid Expenses

	July 31, 2024 $	July 31, 2023 $
Inventory deposit	–	6,943
Provincial tobacco tax deposit	30,000	50,000
Prepaid expenses	1,855	1,720
	31,855	58,663

During the year ended July 31, 2023, a settlement agreement was signed to recoup the previous deposit and note receivable to a third party, which was impaired during the year ended July 31, 2022. During the year ended July 31, 2024, the Company recovered $10,000 (2023 - $40,000) of previously expensed amounts.

Expressed in Canadian Dollars

6. Accounts Payable and Accrued Liabilities

	July 31, 2024 $	July 31, 2023 $
Accounts payable	410,265	242,276
Accrued liabilities	78,325	41,769
	488,590	284,045

7. Related Party Transactions and Balances

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers.

Related party transactions

The Company incurred key management compensation as follows:

	Year ended July 31, 2024 $	Year ended July 31, 2023 $
Management fees accrued or paid to the President and CEO, CFO, directors and former officers and directors	137,500	238,569
Consulting fees	16,667	-
Professional fees	–	6,300
Share-based payments	69,438	87,871
	223,605	332,740

As at July 31, 2024, $3,048 (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 July 31, 2024, $Nil (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 July 31, 2024, $Nil (2023 - $1,233) was owed to a former Director of the Company, which is included in accounts payable and accrued liabilities.

As at July 31, 2024, $116,600 (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 July 31, 2024, $22,500 (2023 - $Nil) was owed to CEO of the Company, which is included in accounts payable and accrued liabilities.

As at July 31, 2024, $36,667 (2023 - $Nil) was owed to Director of the Company, which is included in accounts payable and accrued liabilities.

7. Related Party Transactions and Balances

As at July 31, 2024, $53,016 (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.

8. Share Capital and Reserves

(a) Authorized

Unlimited number of common shares without nominal or par value.

(b) Share transactions

During the year ended July 31, 2024:

i) On September 29, 2023, the Company completed a non-brokered private placement of 1,299,000 units at $0.03 per unit for proceeds of $38,970. Each unit consisted of one common share and one warrant, which is exercisable into one additional common share at an exercise price of $0.05 per share on or before September 29, 2024. In connection with the issuance, the Company paid a cash finder's fee of $3,118, and issued 103,920 compensation warrants, which is exercisable into one additional common share at an exercise price of $0.05 per share until September 29, 2024. The warrant portion of the private placement was valued at $Nil under the residual value method.

ii) On October 6, 2023, the Company completed a non-brokered private placement of 2,699,999 units at $0.03 per unit for proceeds of $81,000. Each unit consisted of one common share and one warrant, which is exercisable into one additional common share at an exercise price of $0.05 per share on or before October 6, 2024. In connection with the issuance, the Company paid a cash finder's fee of $1,680, and issued 56,000 compensation warrants, which is exercisable into one additional common share at an exercise price of $0.05 per share until October 6, 2024. The warrant portion of the private placement was valued at $Nil under the residual value method.

iii) On July 5, 2024, the Company completed the first tranche of non-brokered private placement of 1,500,000 units at $0.02 per unit for proceeds of $30,000, Of this amount, $15,000 was invested by a director of the Company. Each unit consisted of one common share and one warrant, which is exercisable into one additional common share at an exercise price of $0.05 per share on or before July 5, 2026. The warrant portion of the private placement was valued at $Nil under the residual value method.

Expressed in Canadian Dollars

8. Share Capital and Reserves (continued)

(b) Share transactions (continued)

During the year ended July 31, 2023:

i) On September 5, 2022, the Company issued 1,250,000 common shares with a fair value of $131,250 upon the conversion of $100,000 of principal and $4,931 of accrued interest of a convertible debenture; the Company recorded a loss of $31,250 .

ii) On September 16, 2022, the Company issued 810,250 units valued at $145,257 for the settlement of $81,025 of accounts payable. Each unit consisted of one common share and one full share purchase warrant, which is exercisable into one additional common share at an exercise price of $0.12 per share until September 16, 2023. $52,078 was attributed to the warrants as a component of the units. The Company recorded a loss of $64,232.

iii) On September 19, 2022, the Company issued 500,000 shares upon the exercise of warrants at $0.10 per share for proceeds of $50,000, and accordingly, the Company reallocated $17,500 of reserve to share capital.

iv) On February 22, 2023, the Company issued 1,805,869 shares valued at $72,235 for settlement of $80,000 of accounts payable; the Company recorded a gain of $7,765.

v) On April 12, 2023, the Company issued 100,000 shares upon the exercise of options at $0.11 per share for proceeds of $11,000, and accordingly, the Company reallocated $10,041 of reserve to share capital.

vi) On April 20, 2023, the Company issued 100,000 shares upon the exercise of options at $0.11 per share for proceeds of $11,000, and accordingly, the Company reallocated $10,041 of reserve to share capital.

(c) Warrants

The changes in warrants are as follows:

	July 31, 2024		July 31, 2023	
	Number of warrants #	Weighted average exercise price $	Number of warrants #	Weighted average exercise price $
Warrants outstanding, beginning	6,846,235	0.16	10,108,317	0.18
Issued	5,658,919	0.05	810,250	0.12
Exercised	–	–	(500,000)	0.10
Expired	(6,346,235)	0.16	(3,572,332)	0.20
Warrants outstanding, ending	6,158,919	0.06	6,846,235	0.16

The weighted average trading price of the Company’s shares at the time of the warrant exercise was $Nil (2023 - $0.12).

Expressed in Canadian Dollars

8. Share Capital and Reserves (continued)

(c) Share purchase warrants (continued)

A summary of the Company's outstanding warrants as at July 31, 2024 is as follows:

Number of warrants	Exercise price $	Expiry date	Remaining life (in years)
1,299,000*	0.05	September 29, 2024	0.16
103,920*	0.05	September 29, 2024	0.16
2,699,999*	0.05	October 6, 2024	0.18
56,000*	0.05	October 6, 2024	0.18
500,000	0.15	November 19, 2025	1.30
1,500,000	0.05	July 5, 2026	1.93
6,158,919			

* *Subsequently expired.*

The following weighted average assumptions were used for the Black-Scholes valuation of compensation warrants granted or vested during the year ended July 31, 2024 and 2023 assuming no expected dividends or forfeitures:

	July 31, 2024	July 31, 2023
Risk-free interest rate	4.85%	–
Expected life of options	1 year	–
Annualized volatility	194.40%	–

(d) 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.

A summary of stock option transactions are as follows:

	July 31, 2024		July 31, 2023	
	Number of options #	Weighted average exercise price $	Number of options #	Weighted average exercise price $
Outstanding and exercisable, beginning	5,590,000	0.09	5,690,000	0.15
Granted	5,000,000	0.05	3,000,000	0.05
Exercised	–	–	(200,000)	0.11
Cancelled/Expired	(3,340,000)	0.08	(2,900,000)	0.15
Outstanding and exercisable, ending	7,250,000	0.07	5,590,000	0.09

The weighted average trading price of the Company's shares at the time of the option exercise was $Nil (2023 - $0.10).

Expressed in Canadian Dollars

8. Share Capital and Reserves (continued)

(d) Stock options (continued)

The following stock options were outstanding and exercisable as at July 31, 2024:

Number of options	Exercise price $	Expiry date	Remaining life (in years)
250,000	0.25	December 18, 2024	0.38
1,000,000	0.045	February 22, 2026	1.56
500,000	0.16	February 26, 2026	1.58
500,000	0.11	January 14, 2027	2.46
1,000,000	0.05	June 10, 2029	4.86
4,000,000	0.05	June 11, 2029	4.87
7,250,000			

On June 10, 2024, the Company granted 1,000,000 options at $0.05 per share to a consultant of the Company. The stock options vested on the grant date and are exercisable until June 10, 2029. Share-based payments recognized and expensed during the year ended July 31, 2024 for this was $22,900.

On June 11, 2024, the Company granted 4,000,000 options at $0.05 per share to consultants, directors and officers of the Company. The stock options vested on the grant date and are exercisable until June 11, 2029. Share-based payments recognized and expensed during the year ended July 31, 2024 for this was $111,100.

On February 22, 2023, the Company granted 3,000,000 options at $0.045 per share. Share-based payments recognized and expensed during the year ended July 31, 2023 for this was $94,147.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted or vested during the year ended July 31, 2024 and 2023 assuming no expected dividends or forfeitures:

	July 31, 2024	July 31, 2023
Risk-free interest rate	3.50%	3.94%
Expected life of options	5 years	3 years
Annualized volatility	165.88%	143.06%

(e) 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.

On September 16, 2022, the Company amended the exercise price of 2,163,400 warrants from $0.12 per share to $0.10 per share. All other terms of the warrants remained unchanged.

On September 29, 2023, the Company granted 103,920 compensation warrants pursuant to a private placement at a value of $3,100.

On October 6, 2023, the Company granted 56,000 compensation warrants pursuant to a private placement at a value of $1,700.

9. 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 and accounts receivable.

(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 July 31, 2024, the Company's current liabilities consisted of accounts payable and accrued liabilities of $488,590 (2023 – $284,045) and wages payable of $53,016 (2023 – $53,016). The Company's cash was $10,840 (2023 - $16,869) as at July 31, 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 price.

(d) Foreign currency 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.

9. Financial Risk Management (continued)

(e) 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.

(f) Commodity price risk

The Company does not hold any financial instruments that have direct exposure to commodity or other price risks.

10. 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 year.

11. Commitments

On April 21, 2020, the Company entered into a distribution agreement with a distributor for an initial term of 10 years. Pursuant to the agreement, the Company appointed the party as the agent to distribute, market sell and supply tobacco products manufactured by for 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.

Expressed in Canadian Dollars

12. Income taxes

Income tax expense varies from the amount that would be computed by applying the expected basic federal and provincial income tax rates for Canada at July 31, 2024 at 27% (2023 – 27%) to income before income taxes.

	July 31, 2024	July 31, 2023
Net loss for the year	$ (515,564)	$ (650,144)
Expected income recovery	(139,000)	(175,500)
Non-deductible expenditures	36,000	47,100
Other	(979,000)	87,800
Change in unrecognized deductible temporary differences	1,082,000	40,600
Income tax expense	$ –	$ –

The significant components of the Company's unrecognized deferred tax assets and liabilities are as follows:

	July 31, 2024	July 31, 2023
Deferred tax assets		
Share issue costs	$ 6,700	$ 7,400
Property and equipment	1,800	1,200
Non-capital losses available for future periods	3,062,900	1,980,800
Total deferred tax assets	3,071,400	1,989,400
Unrecognized deferred tax assets	(3,071,400)	(1,989,400)
Net deferred tax assets	$ –	$ –

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

	July 31, 2024	July 31, 2023	Expiry Dates
Share issue costs	$ 25,000	$ 27,200	2025-2026
Property and equipment	7,000	4,300	
Non-capital losses available for future periods	11,344,000	7,336,400	2027-2043
Unrecognized deductible temporary differences	$ 22,720,000	$ 7,367,900	

13. Subsequent events

Subsequent to July 31, 2024, the Company:

i) completed the second tranche of non-brokered private placement of 1,900,000 units for proceeds of $38,000, of which $12,000 was received during the year ended July 31, 2024. Each unit consisted of one common share and one transferable warrant, which is exercisable into one additional common share at an exercise price of $0.05 per share on or before August 23, 2026.

ii) issued 2,437,000 common shares at a deemed price of $0.05 for the settlement of $121,850 of accounts payable and accrued liabilities owed to a company controlled by a director of the Company.