

FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: Harrys Manufacturing Inc. (the "Issuer").

Trading Symbol: HARY

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements for the three and six months ended January 31, 2021 (the "Financial Statements"), as filed with the securities regulatory authorities are attached to this Form 5 as Appendix A.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
- (e) Contractual obligations with Related Persons, separate from other contractual obligations.
- (f) Contingencies involving Related Persons, separate from other contingencies.

Please refer to item 8 of the Financial Statements for all information regarding the Issuer's related party transactions.

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

- (a) summary of securities issued during the period,

All securities issued by the Issuer have been disclosed in the Financial Statements.

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
December 1, 2020	Common Shares ⁽¹⁾	Exercise of Options	160,000	\$0.125	\$20,000	Cash	Director	N/A

(1) Please refer to Note 10 of the Financial Statements.

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant
December 2, 2020	250,000	Daniel Polus	Options	\$0.16	December 2, 2025	\$0.16
December 2, 2020	250,000	Henry Chow	Options	\$0.16	December 2, 2025	\$0.16

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

Description	Number Authorized	Par Value
Common Shares	Unlimited	Without Par Value

(b) number and recorded value for shares issued and outstanding,

Description	Number issued and Outstanding (as at January 31, 2021)	Value

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Common Shares	81,318,358	\$8,945,019.38 ⁽¹⁾
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(1) Based on Issuer's closing price of \$0.11 on January 29, 2021.

- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

Description	Number Outstanding (as at January 31, 2021)	Exercise Price	Expiry Date
Warrants	500,000	\$0.15	November 19, 2025
Options	240,000	\$0.17	January 17, 2022
Options	200,000	\$0.30	February 3, 2022
Options	640,000	\$0.125	July 5, 2024
Options	100,000	\$0.125	September 4, 2024
Options	450,000	\$0.25	December 18, 2024
Options	1,250,000	\$0.16	January 16, 2025
Options	500,000	\$0.16	December 2, 2025

- (d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

Description	Number (as at January 31, 2021)	Number Released during the Period
Escrowed Shares	5,374,030	0

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Name	Position
Kevin Kohanik ⁽¹⁾	Chief Executive Officer, President, and Director
Michael Young	Corporate Secretary and Chief Financial Officer and Director
Daniel Polus	Director
Henry Chow	Director
Harinder Dhesi	Director

- (1) On February 26, 2021, the Issuer announced that Mr. Kohanik resigned as Chief Executive Officer and President and Ken Storey was appointed Chief Executive Officer and President.

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of Harrys Manufacturing Inc. for the Six Months ended January 31, 2021, as filed with the securities regulatory authorities are attached to this Form 5 as Appendix B.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated April 8, 2021.

Michael Young

Name of Director or Senior Officer

"Michael Young"

Signature

CFO

Official Capacity

Issuer Details		For Quarter Ended	Date of Report YY/MM/D
Name of Issuer Harrys Manufacturing Inc.		January 31, 2021	21/04/08
Issuer Address 1070 - 1055 West Hastings Street			
City/Province/Postal Code Vancouver, B.C., V6E 2E9		Issuer Fax No. () N/A	Issuer Telephone No. () 604-565-5100
Contact Name Michael Young		Contact Position CFO	Contact Telephone No. 604-565-5100
Contact Email Address Michael@HarrysMFG.com		Web Site Address HarrysMFG.com	

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Appendix A
[See attached]

Condensed Interim Consolidated Financial Statements of

HARRYS MANUFACTURING INC.

January 31, 2021

Expressed in Canadian Dollars

(Unaudited)

**NOTICE OF NO AUDITOR REVIEW OF
INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited 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

	Note	January 31, 2021 (Unaudited) \$	July 31, 2020 \$
ASSETS			
Current			
Cash		364,590	239,121
Amounts receivable	4	7,486	5,645
Prepaid expenses		54,425	29,425
Total current assets		426,501	274,191
Property and equipment	5	108,983	115,591
Right-of-use asset	6	252,188	265,943
Total assets		787,672	655,725
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	834	31,998
Wages payable	8	53,016	53,016
Current portion of lease liability	9	9,716	8,670
Total current liabilities		63,566	93,684
Lease liability	9	258,831	263,966
Total liabilities		322,397	357,650
SHAREHOLDERS' EQUITY			
Share capital	10	20,507,755	20,015,764
Reserves	10	3,416,361	3,280,628
Deficit		(23,458,841)	(22,998,317)
Total shareholders' equity		465,275	298,075
Total liabilities and shareholders' equity		787,672	655,725

Nature of operations (Note 1)
Going concern (Note 2)
Commitments (Note 13)
Subsequent events (Note 14)

On behalf of the Board of Directors:

“Daniel Polus” Director “Michael Young” Director

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

HARRYS MANUFACTURING INC.**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

Expressed in Canadian dollars

(Unaudited)

	Note	Three months ended January 31, 2021 \$	Three months ended January 31, 2020 \$	Six months ended January 31, 2021 \$	Six months ended January 31, 2020 \$
Revenue		–	–	–	–
Expenses					
Consulting fees		50,000	55,800	52,500	100,800
Depreciation	5, 6	10,183	58,930	20,364	117,769
Management fees	8	40,050	40,050	80,100	75,600
Office and administrative		36,690	35,616	54,550	60,604
Professional fees		13,531	20,784	37,621	52,671
Research and development		–	–	–	250
Share-based payments	8, 10	155,684	306,849	155,684	390,638
Shareholder communications		7,112	–	14,912	3,091
Transfer agent and filing fees		9,691	8,462	13,631	27,964
		322,941	526,491	429,362	829,387
Net loss before other items		(322,941)	(526,491)	(429,362)	(829,387)
Other items					
Interest income		–	250	–	250
Interest expense	9	(15,523)	–	(31,162)	–
Net and comprehensive loss		(338,464)	(526,241)	(460,524)	(829,137)
Basic and diluted loss per common share		(0.00)	(0.01)	(0.01)	(0.01)
Weighted average number of common shares outstanding, basic and diluted		80,212,271	69,916,358	79,278,615	73,046,793

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

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

	Number of common shares	Amount \$	Reserves \$	Deficit \$	Shareholders' equity \$
July 31, 2019	77,916,358	19,490,552	2,940,202	(21,314,463)	1,116,291
Shares returned for cancellation	(8,000,000)	–	–	–	–
Share-based payments	–	–	390,638	–	390,638
Loss for the period	–	–	–	(829,137)	(829,137)
January 31, 2020	69,916,358	19,490,552	3,330,840	(22,143,600)	677,792
July 31, 2020	77,391,358	20,015,764	3,280,628	(22,998,317)	298,075
Shares issued upon the exercise of warrants	3,767,000	452,040	–	–	452,040
Shares issued upon the exercise of options	160,000	39,951	(19,951)	–	20,000
Share-based payments	–	–	155,684	–	155,684
Loss for the period	–	–	–	(460,524)	(460,524)
January 31, 2021	81,318,358	20,507,755	3,416,361	(23,458,841)	465,275

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

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

	Six months ended January 31, 2021	Six months ended January 31, 2020
	\$	\$
Operating activities		
Net loss for the period	(460,524)	(829,137)
Adjustment for non-cash items:		
Share-based payments	155,684	390,639
Depreciation	20,364	117,769
Interest expense on lease liability	31,161	–
Changes in non-cash working capital items:		
Amounts receivable	(1,841)	297
Prepaid expenses	(25,000)	–
Accounts payable and accrued liabilities	(31,165)	(12,592)
Net cash used in operating activities	(311,321)	(333,024)
Investing activities		
Purchase of equipment	–	(5,359)
Net cash used in investing activities	–	(5,359)
Financing activities		
Proceeds received from share issuances	472,040	–
Lease repayments	(35,250)	–
Net cash provided by financing activities	436,790	–
Change in cash in the period	125,469	(338,383)
Cash, beginning of period	239,121	526,682
Cash, end of period	364,590	188,299

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

HARRYS MANUFACTURING INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six months ended January 31, 2021

(Expressed in Canadian dollars unless otherwise noted)

(Unaudited)

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 recently 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 March 31, 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 as 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.

HARRYS MANUFACTURING INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six months ended January 31, 2021

(Expressed in Canadian dollars unless otherwise noted)

(Unaudited)

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. Management believes that the Company's capital resources should be adequate to continue operation and maintaining its business strategy. However, 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 condensed interim 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.

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, 2020, 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 have been prepared using the accrual basis of accounting, except for cash flow information. In addition, these 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.

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.

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.

HARRYS MANUFACTURING INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six months ended January 31, 2021

(Expressed in Canadian dollars unless otherwise noted)

(Unaudited)

4. Amounts Receivable

	January 31, 2021	July 31, 2020
	\$	\$
Recoverable sales taxes	7,486	5,645

5. Property and Equipment

	Leasehold Improvements \$	Furniture and Fixtures \$	Manufacturing Equipment \$	Total \$
Cost:				
Balance, July 31, 2020 and January 31, 2021	109,056	11,565	1,006,200	1,126,821
Accumulated depreciation:				
Balance, July 31, 2020	3,634	1,396	1,006,200	1,011,230
Depreciation	5,453	1,155	-	6,608
Balance, January 31, 2021	9,087	2,551	1,006,200	1,017,838
Carrying amounts:				
Balance, July 31, 2020	105,422	10,169	-	115,591
Balance, January 31, 2021	99,969	9,014	-	108,893

6. Right-of-use Asset

	Building \$
Cost	
Balance at July 31, 2020 and January 31, 2021	275,114
Accumulated amortization	
Balance at July 31, 2020	9,171
Addition	13,755
Balance at January 31, 2021	22,926
Carrying amount	
Balance at July 31, 2020	265,943
Balance at January 31, 2021	252,188

7. Accounts Payable and Accrued Liabilities

	January 31, 2021	July 31, 2020
	\$	\$
Accounts payable	-	15,998
Accrued liabilities	834	16,000
	834	31,998

HARRYS MANUFACTURING INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six months ended January 31, 2021

(Expressed in Canadian dollars unless otherwise noted)

(Unaudited)

8. Related Party Transactions and Balances

Related party transactions

The Company incurred key management compensation as follows:

	2021	2020
Six months ended January 31, Management fees accrued or paid to the President and CEO, CFO and directors	\$ 80,100	\$ 75,600
Share-based payments	77,835	79,700
Total fees paid to related parties	\$ 157,935	\$ 155,300

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. Refer to Note 9.

Wages Payable

As at January 31, 2021, \$33,794 (July 31, 2020 - \$33,794) in wages payable is outstanding in relation to transactions with related parties, which are non-interest bearing, unsecured and due on demand.

Stock Options

On December 2, 2020, the Company granted 500,000 stock options exercisable at \$0.16 per share for five years after the date of grant to two directors of the Company. The Company recorded \$77,835 in share-based payments related to the grant of these stock options.

9. 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 if 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 liability as at July 31, 2020	272,636
Less: lease payments	(35,250)
Interest expense	31,161
Lease liability as at January 31, 2021	268,547
Less: current portion of lease liability	(9,716)
Lease liability	258,831

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

	\$
Fiscal year ending July 31, 2021	35,250
Fiscal year ending July 31, 2022	70,500
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 ending July 31, 2026 to 2030	329,000
Total lease payments	646,250
Amount representing interest over the term of the lease	(377,703)
Present value of net lease payments	268,547

HARRYS MANUFACTURING INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six months ended January 31, 2021

(Expressed in Canadian dollars unless otherwise noted)

(Unaudited)

10. Share Capital and Reserves

(a) Authorized:

Unlimited number of common shares without nominal or par value.

(b) Issued:

As at January 31, 2021, there were 81,318,358 (July 31, 2020 – 77,391,358) issued and outstanding common shares.

As at January 31, 2021, there were 5,374,030 (July 31, 2020 – 8,061,045) shares held in escrow. Escrow releases will be scheduled as follows, 10% will be 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 six months ended January 31, 2021, 2,687,015 shares were released from escrow.

(c) Share transactions

During the six months ended January 31, 2021

During the six months ended January 31, 2021, the Company issued 3,767,000 shares upon the exercise of warrants at \$0.12 per share for proceeds of \$452,040.

During the six months ended January 31, 2021, the Company issued 160,000 shares upon the exercise of options at \$0.125 per share for proceeds of \$20,000. At the time of issue, the options were valued at \$19,951 and credited to reserves. Upon exercise, this amount was taken out of reserves and added to the value received for shares issued.

During the six months ended January 31, 2020

On October 11, 2019, the Company cancelled 8,000,000 held in escrow for no consideration.

(d) Share purchase warrants

The changes in warrants during the six months ended January 31, 2021 and the year ended July 31, 2020 were as follows:

	January 31, 2021		July 31, 2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning of the period	18,244,737	\$ 0.29	11,926,715	\$ 0.40
Issued	500,000	0.15	–	–
Exercised	(3,767,000)	0.12	7,000,000	0.12
Expired	(14,477,737)	0.33	(681,978)	0.50
Warrants outstanding, end of the period	500,000	\$ 0.15	18,244,737	\$ 0.29

On November 19, 2020, the Company issued 500,000 share purchase warrants exercisable at \$0.15 per share for five years after the date of issue pursuant to an exclusive manufacturing agreement (Note 13(b)). The warrants vested upon issuance. The Company recognized the fair value of the warrants of \$77,849 as share based compensation.

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

Number of warrants	Exercise price	Expiry date
500,000	\$ 0.15	November 19, 2025

HARRYS MANUFACTURING INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six months ended January 31, 2021

(Expressed in Canadian dollars unless otherwise noted)

(Unaudited)

10. Share Capital and Reserves (continued)

(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.

On December 2, 2020, the Company granted 500,000 stock options to directors of the Company exercisable at \$0.16 per share until December 2, 2025. The options vested upon grant.

A summary of stock option transactions during the three months ended January 31, 2021 and year ended July 31, 2020 were as follows:

	January 31, 2021		July 31, 2020	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding, beginning of the period	3,540,000	\$ 0.17	1,615,000	\$ 0.15
Granted	500,000	0.16	2,400,000	0.17
Expired	(500,000)	0.125	–	–
Exercised	(160,000)	0.125	(475,000)	0.12
Outstanding, end of the period	3,380,000	\$ 0.17	3,540,000	\$ 0.17
Exercisable, end of the period	3,380,000	\$ 0.17	3,540,000	\$ 0.17

During the six months ended January 31, 2021, the weighted average trading price of the Company's shares at the time of exercise was \$0.11. During the year ended July 31, 2020, the weighted average trading price of the Company's shares at the time of exercise was \$0.22.

The following stock options were outstanding and exercisable as at January 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
3,380,000	\$ 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 six months ending January 31, 2021 was \$155,684 (2020 - \$390,638).

HARRYS MANUFACTURING INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six months ended January 31, 2021

(Expressed in Canadian dollars unless otherwise noted)

(Unaudited)

10. Share Capital and Reserves (continued)

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted or vested during the six months ending January 31, 2021 and year ended July 31, 2020:

	January 31, 2021	July 31, 2020
Risk-free interest rate	0.46%	1.47%
Expected life of options	5 years	5 years
Annualized volatility	197%	261%
Forfeiture rate	0%	0%
Dividend rate	0%	0%

11. 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 January 31, 2021, the Company's current liabilities consisted of accounts payable and accrued liabilities of \$834, wages payable of \$53,016 and current portion of lease liability of \$9,716. The Company's cash was \$364,590 at January 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.

HARRYS MANUFACTURING INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six months ended January 31, 2021

(Expressed in Canadian dollars unless otherwise noted)

(Unaudited)

11. Financial Risk Management (continued)

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market price risk is comprised of three types of market price changes: foreign currency exchange rates, interest rates and commodity prices.

(i) Foreign currency exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's risk to foreign exchange is limited since it holds only Canadian dollars.

(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.

12. 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 years.

13. 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.

HARRYS MANUFACTURING INC.

Notes to Condensed Interim Consolidated Financial Statements

For the six months ended January 31, 2021

(Expressed in Canadian dollars unless otherwise noted)

(Unaudited)

14. Subsequent Events

- (a) On February 23, 2021, the Company advanced \$200,000 to the manufacturer providing services as described in Note 13(b) in exchange for a promissory note. The Note is unsecured, non-interest bearing and due upon termination of the consulting 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.
- (b) On February 26, 2021, the Company granted 500,000 stock options to the CEO of the Company and 500,000 stock options to the CFO of the Company. The options are exercisable at \$0.16 per share until February 26, 2026. The options vested upon grant.
- (c) 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.
- (d) 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.
- (e) On March 12, 2021, the Company announced a non-brokered private placement of up to 6,250,000 units at a purchase price of \$0.12 per unit for total proceeds of up to \$750,000. Each unit will consist of one common share and one transferable common share purchase warrant. Each warrant will be exercisable into one additional common share at an exercise price of \$0.20 per warrant for a period of 24 months from the closing date of the offering.

Appendix B

[See attached

HARRYS MANUFACTURING INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED JANUARY 31, 2021

The following Management’s Discussion and Analysis (“MD&A”) is dated April 1, 2021 and should be read in conjunction with the consolidated financial statements of Harrys Manufacturing Inc. (“Harrys” or the “Company”) for the six months ended January 31, 2021.

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’s principal business is the sale and distribution of tobacco products to both domestic and international purchasers.

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

Over the past 12 months the Company has been focused on developing the route to market and securing the necessary provincial wholesale tobacco licenses for sales and distribution of HARRY’S brand cigarettes to customers in Canada. The Company currently has tobacco wholesale license applications that are pending or under review for approval in British Columbia, Manitoba, Ontario and Quebec, as well as approved wholesale tobacco licenses for the provinces of Alberta and Saskatchewan.

Management continues to work with its Canadian manufacturer (the “Manufacturer”) to augment their registration

approvals from the Canada Revenue Agency Excise Duties and Taxes Division to facilitate ordering the required Tobacco Stamps. The Stamps are to be placed by the manufacturer on Harrys tobacco cigarette products destined for sale in the designated Canadian Provinces where the Company has received a wholesale tobacco license.

Pursuant to the manufacturing agreement dated November 19, 2020 the Company has loaned \$200,000 by way of Promissory Note to the Manufacturer. The Principal amount has been advanced to the Manufacturer for the sole purpose of paying an additional security deposit to the Canada Revenue Agency to allow the purchase of federal excise tax stamps for cigarette products manufactured for sale in Canada. A portion of the Principal amount, together with all other amounts due will be paid in installments or such other amount agreed to by the parties until fully paid.

Appointment of new President & CEO

On February 26, 2021 the Company announced the appointment of Ken Storey as its new President & CEO. Mr. Storey brings over 35 years' experience in the tobacco industry to Harrys. Starting as an Imperial Tobacco (BAT) sales rep, Ken's many roles include President of National Smokeless Tobacco Company, a subsidiary of U.S. Tobacco (now Altria), and Director of Sales for House of Horvath Inc., a family-owned manufacturer of cigars and importer of global brands. In those roles, Ken has led consumer-focused sales and marketing teams and he is credited with achieving consistent revenue growth. This experience has led him coast to coast (to coast) in Canada and introduced him to a strong network Industry associates. He has worked with International companies such as Swisher International, Royal Agio and General Cigar. Mr. Storey is recognized in retail and wholesale channels as a strategic supply channel partner and was honored as Outstanding Industry Leader of the Year in 2011 by the National Convenience Store Distributors Association. Ken currently sits on the Board of Directors of Sting Free AB, a private company in Sweden and patent holder in the Swedish Snus (smokeless tobacco product) Industry.

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. At January 31, 2021, the Company had an accumulated deficit of \$23,458,841 since inception and net working capital of \$362,935.

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 condensed interim 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.

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 the United States and Canada, 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 supply chains for parts and sales channels for our products, and 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. We will continue to monitor the COVID-19 situation closely, and intend to follow health and safety guidelines as they evolve.

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 January 31, 2021	Three Months Ended October 31, 2020	Three Months Ended April 30, 2020	Three Months Ended July 31, 2020
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Loss for the period	(338,464)	(122,060)	(660,839)	(193,878)
Loss per share - basic and diluted	(0.00)	(0.00)	(0.01)	(0.00)
Total assets	787,672	991,659	655,725	1,410,343

	Three Months Ended January 31, 2020	Three Months Ended October 31, 2019	Three Months Ended July 31, 2019	Three Months Ended April 30, 2019
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ 7,500
Loss for the period	(526,241)	(302,896)	(12,276,109)	(273,893)
Loss per share - basic and diluted	(0.01)	(0.00)	(0.17)	(0.00)
Total assets	895,154	1,148,244	1,346,245	13,467,604

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 increased during the three-month period ended January 31, 2021 over the three months October 31, 2020, as a result of an increase in share-based payments.

Net loss decreased during the three-month period ended January 31, 2021 over the three months January 31, 2020, as a result of a decrease in share-based payments and amortization.

Net loss decreased during the three-month period ended October 31, 2020 over the three months July 31, 2020, as a result of an impairment of equipment recorded during the three months ended July 31, 2020.

Net loss decreased during the three-month period ended October 31, 2020 over the three months October 31, 2019, as a result of a decrease in share-based payments and amortization.

Net loss increased during the three-month period ended July 31, 2020 over the three months April 30, 2020, as a result of an impairment of equipment recorded, offset by a reversal of accrued wages payable recognized during the three months July 31, 2020.

Net loss decreased during the three-month period ended July 31, 2020 over the three months July 31, 2019, as a result of an impairment of goodwill recorded during the three months July 31, 2019.

Net loss decreased during the three-month period ended April 30, 2020 over the three months January 31, 2020, as a result of decreased share-based payments during the three months April 30, 2020.

Net loss decreased during the three-month period ended April 30, 2020 over the three months April 30, 2019, as a result of a decrease in salaries and wages offset by an increase in consulting fees.

Net loss increased during the three-month period ended January 31, 2020 over the three months October 31, 2019,

as a result of increased share-based payments during the three months January 31, 2020.

RESULTS OF OPERATIONS

Operating expenses of \$322,941 for the three months ended January 31, 2021 decreased as compared to \$526,241 in 2020. Significant expenses during the three months ended January 31, 2021 were consulting fees of \$50,000 (2020 - \$55,800), management fees of \$40,050 (2020 - \$40,050), share based payments of \$155,684 (2020 - \$306,849), office and administrative of \$36,690 (2020 - \$35,616), and professional fees of \$13,531 (2020 - \$20,784).

Operating expenses of \$429,362 for the six months ended January 31, 2021 decreased as compared to \$829,387 in 2020. Significant expenses during the six months ended January 31, 2021 were consulting fees of \$52,500 (2020 - \$100,800), management fees of \$80,100 (2020 - \$75,600), share based payments of \$155,684 (2020 - \$390,638), office and administrative of \$54,550 (2020 - \$60,604), professional fees of \$37,621 (2020 - \$52,671), and transfer agent and filing fees of \$13,631 (2020 - \$27,964).

During the three and six months ended January 31, 2021, the Company had a general decrease in operations and most operating expenses compared to the three and six months ended January 31, 2020. The decrease was the result of the Company focusing its efforts on obtaining all of the necessary provincial and federal licenses and registrations for the future sales and distribution of Harrys tobacco cigarettes in Canada.

LIQUIDITY AND CAPITAL RESOURCES

During the six months ended January 31, 2021, the Company's working capital increased to \$362,935 as at January 31, 2021 from working capital of \$180,507 as at July 31, 2020. The increase was a result of an increase in cash from \$239,121 on July 31, 2020 to \$364,590 on January 31, 2021 primarily as a result of the exercise of 3,767,000 warrants for gross proceeds of \$452,040, and a slight decrease in current liabilities from \$93,684 at July 31, 2020 to \$63,566 at January 31, 2021.

During the six months ended January 31, 2021, net cash used in operations was \$311,321 (2020 - \$333,024), net cash used in investing activities was \$nil (2020 - \$5,359), and net cash provided by financing activities was \$436,790 (2020 - \$nil).

The Company did not undertake any investing activities during the six months ended January 31, 2021. Investing activities during the six months ended January 31, 2020, was the result of the purchase of \$5,359 of equipment.

Financing activities during the six months ended January 31, 2021 include receipt of \$472,040 from share issuances and lease repayments of \$35,250. The Company had no financing activities during the six months ended January 31, 2020.

The Company's entire non-derivative financial liabilities are due within one year.

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 condensed interim 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 six months ended January 31, 2021, there were no changes in accounting policies and no new accounting standards 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, amounts receivables, accounts payable and accrued liabilities, 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.

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

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.

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 small amount of refundable sales taxes.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and similar source.

As at January 31, 2021, the Company's current liabilities consisted of accounts payable and accrued liabilities of \$834, wages payable of \$53,016 and current portion of lease liability of \$9,716. The Company's cash was \$364,590 at January 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.

(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:

	2021	2020
Six months ended January 31,	\$	\$
Management fees accrued or paid to a director and the former President and CEO Kevin Kohanik, CFO Michael Young and directors Henry Chow and Daniel Polus	80,100	75,600
Share-based payments	77,835	79,700
Total fees paid to related parties	157,935	155,300

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 and the former President and CEO of the Company, Kevin Kohanik.

Wages Payable

As at January 31, 2021, \$33,794 (July 31, 2020 - \$33,794) in wages payable is outstanding in relation to transactions with related parties, which are non-interest bearing, unsecured and due on demand.

Stock Options

On December 2, 2020, the Company granted 500,000 stock options exercisable at \$0.125 per share for five years after the date of grant to two directors of the Company, Henry Chow and Daniel Polus.

OUTSTANDING SHARE DATA

Common shares

The following table sets forth the Company's outstanding share data as at March 26, 2021:

Total common shares	81,318,358
Total outstanding warrants	500,000
Total outstanding stock options	4,380,000
Total diluted common shares	86,198,358

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 DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUES

During the six months ended January 31, 2021, the material components of general & administrative expenses included rent of \$22,800 (2020 - \$15,000), travel of \$4,185 (2020 - \$20,174), administration of \$5,000 (2020 - \$12,000), security of \$8,085 (2020 - \$nil) telephone and utilities of \$4,348 (2020 - \$6,755).

ADDITIONAL INFORMATION

Additional information about the Company is available under the Company's profile on SEDAR at www.sedar.com.