

HARMONY ENERGY TECHNOLOGIES COPORATION

Audited Financial Statements

Year ended December 31, 2019 and period from
incorporation (June 19,2018) to December 31, 2018
(Expressed in United States dollars)

HARMONY ENERGY TECHNOLOGIES COPRORATION

FINANCIAL STATEMENTS

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Independent Auditor's Report

To the Shareholders of Harmony Energy Technologies Corporation:

Opinion

We have audited the financial statements of Harmony Energy Technologies Corporation (the "Company"), which comprise the statement of financial position as at December 31, 2019, and the statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year 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 in the financial statements, which indicates that as at December 31, 2019 the Company had a deficit of \$159,049 and working capital of \$40,951 which will not be sufficient to support the Company's needs for cash during this and the coming year. 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.

Other Matter - Comparative Information

The financial statements of the Company for the period from June 9, 2018 (date of incorporation) to December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on April 29, 2019.

Other Information

Management is responsible for the other information. The other information comprises 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 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 on this other information, 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.

The engagement partner on the audit resulting in this independent auditor's report is Jian-Kun Xu.

Vancouver, British Columbia
June 12, 2020

MNP **LLP**
Chartered Professional Accountants

HARMONY ENERGY TECHNOLOGIES CORPORATION

STATEMENTS OF FINANCIAL POSITION

(in United States dollars)

As at	Notes	December 31 2019	December 31 2018
		\$	\$
ASSETS			
Current assets			
Cash		6,219	1
Loan receivable	7	197,106	-
		<u>203,325</u>	<u>1</u>
Shares issued for acquisition of Smarten	6	1,170,000	-
Total assets		<u><u>1,373,325</u></u>	<u><u>1</u></u>
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	9	162,374	-
Total liabilities		<u>162,374</u>	<u>-</u>
EQUITY			
Share capital	5	576	1
Additional paid in capital	5	1,369,424	-
Deficit		<u>(159,049)</u>	<u>-</u>
Total equity		<u>1,210,951</u>	<u>1</u>
Total liabilities and equity		<u><u>1,373,325</u></u>	<u><u>1</u></u>

Going Concern Assumption (Note 2)

Commitments (Note 13)

Subsequent Event (Note 15)

The accompanying notes are an integral part of the financial statements.

Approved on behalf the Board

“Christian Guilbaud” Director

“Kenneth Charles Grainger ” Director

HARMONY ENERGY TECHNOLOGIES CORPORATION

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(in United States dollars)

		Year ended December 31, 2019	Period from incorporation to December 31, 2018
	Notes	\$	\$
ADMINISTRATIVE EXPENSES			
Exchange Loss		5	-
Energy business expenditures		3,746	-
Financial expenses		120	-
Management fees	9	72,000	-
Office and general		561	-
Professional services		54,503	-
Regulatory fees		4,021	-
Transfer agent fees		9,914	-
Travel, accommodation and meal		31,285	-
		176,155	-
OTHER INCOME			
Interest income	7	17,106	-
		(159,049)	-
Net Loss and comprehensive loss		(159,049)	-
Basic and diluted net income per share		(0.04)	-
Weighted average number of common shares outstanding		4,078,423	1

The accompanying notes are an integral part of the financial statements.

HARMONY ENERGY TECHNOLOGIES CORPORATION

STATEMENTS OF CHANGES IN EQUITY

(in United States dollars)

	Notes	Number of Common Share	Par Value	Additional Paid in Capital	Deficit	Total
			\$	\$	\$	\$
Balance at June 19, 2018		-	-	-	-	-
Initial share issued for cash		<u>1</u>	-	<u>1</u>	-	<u>1</u>
Balance at December 31, 2018		<u>1</u>	-	<u>1</u>	-	<u>1</u>
Balance at January 1, 2019		1	-	1	-	1
Shares issued for acquisition of energy business	5	3,862,078	386	99,613	-	99,999
Shares issued under private placement	5	100,000	10	99,990	-	100,000
Shares issued for acquisition of		1,800,000	180	1,169,820	-	1,170,000
Net loss		-	-	-	(159,049)	(159,049)
Balance at December 31, 2019		<u>5,762,079</u>	<u>576</u>	<u>1,369,424</u>	<u>(159,049)</u>	<u>1,210,951</u>

The accompanying notes are an integral part of the financial statements.

HARMONY ENERGY TECHNOLOGIES CORPORATION

STATEMENTS OF CASH FLOWS

(in United States dollars)

	Note	Year ended December 31, 2019	Period from incorporation to December 31, 2018
OPERATING ACTIVITIES		\$	\$
Net loss		(159,049)	-
Items not affecting cash:			
Interest income		(17,106)	-
Loss on foreign exchange gain and loss		5	-
		(176,150)	-
Change in working capital items	8	162,369	-
Cash flows used in operating activities		(13,781)	-
INVESTING ACTIVITIES			
Short term loan to other party		(180,000)	-
Cash received from energy storage business acquisition	6	99,999	-
Cash flows used in investing activities		(80,001)	-
FINANCING ACTIVITIES			
Proceeds from initial share issuance		-	1
Proceeds from private placement		100,000	-
Cash flows from financing activities		100,000	1
Net Change in Cash		6,218	1
Cash, beginning of period		1	-
Cash, end of period		6,219	1

The accompanying notes are an integral part of the financial statements.

HARMONY ENERGY TECHNOLOGIES CORPORATION

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 and period from incorporation (June 19,2018) to December 31, 2018

(in United States dollars)

NOTE 1. NATURE OF OPERATION

On June 19, 2018, Harmony Energy Technologies Corporation ("Harmony" or "Company") was registered under the General Corporation Law of the State of Delaware, USA. Harmony's registered office is located at 2711 Centerville Road, Suite 400, City of Wilmington, County of New Castle, Delaware, USA 19808. The Company's common shares have not listed or quoted on any market for the moment.

On January 14, 2019, the Company acquired the energy business span out from Golden Share Resources Corp. (TSXV: GSH, "Golden Share"). In exchange, the Company issued 3,862,079 common shares ("Harmony Shares") to Golden Share, which have been distributed to Golden Share's shareholders on the basis of one Harmony Share for each 10 Golden Share common shares held as of the close of business on January 3, 2019.

On November 6, 2019, the Company signed acquisition agreement (the "Agreement") with Shareholders of Shenzhen Smarten technology Co.,Ltd ("Smarten") to acquire 100% ownership of Smarten (Note 6). The transaction has not yet been completed as at December 31, 2019.

These financial statements of the Company were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standard Board ("IASB"), and the IFRS Interpretations Committee (formerly "IFRIC"). These accounting policies are based on the IFRS standards and IFRIC interpretations that are expected to be applicable at December 31, 2019. The financial statements have been approved and authorized for issue by the Board of Directors on June 12, 2020 in preparation of their filing.

NOTE 2. GOING CONCERN ASSUMPTION

These financial statements have been prepared on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has not yet determined when its energy business can generate income or cash flows. As at December 31, 2019, the Company has a deficit of \$159,049 (2018:\$nil) and working capital of \$40,951 (2018:\$nil) which will not be sufficient to support the Company's needs for cash during this and the coming year. The Company will require additional funding to be able to develop the business and to meet ongoing requirements for general operations. These factors indicate that material uncertainties exist which may cast significant doubt regarding the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional fund to further develop the energy business and continued support of suppliers and creditors. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

The carrying amounts of assets, liabilities and expenses presented in the financial statements and the classification used in the statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate. Those adjustments could be material.

NOTE 3. SUMMARY OF ACCOUNTING POLICIES

Basis of measurement

These financial statements have been prepared on a historical cost basis, except for items measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

HARMONY ENERGY TECHNOLOGIES CORPORATION

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 and period from incorporation (June 19, 2018) to December 31, 2018

(in United States dollars)

NOTE 3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Basis of preparation and evaluation of financial statements

The financial statements are prepared using the significant accounting policies described in the present note. These policies have been applied consistently to all periods presented in these financial statements other than the new accounting standards adopted on January 1, 2019 as following:

International Financial Reporting Standards 16, Leases (“IFRS 16”)

The Company adopted IFRS 16, Leases, on January 1, 2019. In accordance with the transition guidance of IFRS 16, the new requirements have been applied by using modified retrospective method with the cumulative effect of initial application recognized as at January 1, 2019. IFRS 16 requires that lessors recognize assets and liabilities for all leases on the statement of financial position, unless the lease term is 12 months or less or the lease for which the underlying asset is of low value. The Company does not have any lease contract and therefore the adoption of IFRS 16 has no impact on the Company’s financial statement.

IFRIC 23 Uncertainty over Income Tax Treatments

In June 2017, the IFRS Interpretation Committee issued IFRIC 23, which clarifies how the recognition and measurement requirements of IAS 12 Income Taxes are applied where there is uncertainty over income tax treatments. The Company adopted IFRIC 23 on January 1, 2019. The adoption of this standard did not have impact on the Company’s financial statements.

Functional and presentation currency

The financial statements are presented in United States dollars, which is also the functional currency of the Company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions (spot exchange rate).

Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Cash

Cash consists of cash on hand and deposits in banks with no restrictions.

Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the consolidated financial instrument and are measured initially at fair value adjusted for transactions costs. The subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

HARMONY ENERGY TECHNOLOGIES CORPORATION

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 and period from incorporation (June 19, 2018) to December 31, 2018

(in United States dollars)

NOTE 3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Classification and measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the income statement in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interests. These assets are subsequently measured at amortized cost using the effective interest method. Interest income and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and loan receivables are classified as financial assets at amortized cost.

Impairment of financial assets

The Company uses the expected credit losses impairment model with respect to its financial assets carried at amortized cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument.

Financial liabilities

All financial liabilities are initially recognized at fair value plus or minus transactions costs that are directly attributable to issuing the financial liability. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL. The Company's trade payable and accrued liabilities are classified as financial liabilities at amortized cost.

The Company initially recognizes financial liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are derecognized when their contractual obligations are discharged, cancelled or have expired. Any adjustment to the amortized cost of the financial liability arising from a modification or exchange is recognized in profit or loss at the date of the modification or exchange.

Basic and diluted earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the earnings (loss) of each period presented attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings (loss) per share are calculated by adjusting the earnings (loss) attributable to ordinary equity holders of the Company, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares which include options and warrants. Dilutive potential common shares shall be deemed to have been converted into common shares at the beginning of the years or, if later, at the date of issue of the potential common shares. Diluted loss per share is equal to the basic loss per share as the outstanding options and warrants are anti-dilutive.

HARMONY ENERGY TECHNOLOGIES CORPORATION

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 and period from incorporation (June 19,2018) to December 31, 2018

(in United States dollars)

NOTE 3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Income taxes

Generally, the tax expense recognized in net earnings (loss) comprises the amount of deferred tax and current tax not recognized in other comprehensive income (loss) or directly in equity.

When the Company will have current income tax assets or liabilities, these will comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from net earnings (loss) in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

However, since the Company has no taxable income, tax expense recognized in net earnings (loss) is comprised only of deferred tax when applicable.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income or expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax expense in net earnings (loss), except where they relate to items that are recognized in other comprehensive income (loss) or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income (loss) or equity, respectively.

Equity

Share capital represents the par value of shares issued and the residual amount received upon the share issuance less the share issue expenses net of any tax benefits on the earnings underlying these share issue expenses are recorded as additional paid in capital.

NOTE 4. ESTIMATES, JUDGMENTS AND ASSUMPTIONS

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the financial statements.

HARMONY ENERGY TECHNOLOGIES CORPORATION

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 and period from incorporation (June 19, 2018) to December 31, 2018

(in United States dollars)

NOTE 4. ESTIMATES, JUDGMENTS AND ASSUMPTIONS (CONTINUED)

Judgments

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Energy Storage Business spin off from Golden Share

IFRS3 defines a business as ‘an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants (outputs).’ A business therefore consists of inputs and processes applied to those inputs that have the ability to generate outputs. Management assesses the transaction as asset acquisition due to the spin off energy storage business does not include processes and outputs.

Going concern

The evaluation of the Company's ability to continue as a going concern, to raise additional financing in order to cover its operating expenses and its obligations for the incoming year requires significant judgment based on past experience and other assumptions including the probability that future events are considered reasonable according to circumstances. Please refer to Note 2 for further information.

Estimates

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below:

Expected Credit Loss on the loan receivable

Loan receivable was assessed for impairment at the reporting date by applying the expected credit loss impairment model. Expected credit loss represents management's best estimate and assumptions based on actual credit loss experience and informed credit assessment, and also takes into consideration forward-looking information. If actual credit losses differ from estimates, future earnings would be affected.

Fair value of the shares issued for acquisition of Smarten

The Company's shares are not quoted in an active market, therefore the fair value of the Company's issued shares to Smarten is based on valuation methods and techniques generally recognized as standard within the industry in which observable data have been used to the extent practicable. Changes in assumptions about these factors could affect the reported fair value of the shares issued for acquisition of Smarten.

Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. If changes were made to management's assessment regarding the Company's ability to use future tax deductions, the Company could be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

HARMONY ENERGY TECHNOLOGIES CORPORATION

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 and period from incorporation (June 19,2018) to December 31, 2018

(in United States dollars)

NOTE 5. SHARE CAPITAL

Share capital

The share capital of the Company consists only of fully paid common shares. The Company has been authorized to issue up to ten million (10,000,000) of common shares with par value of \$0.0001 per share.

Transactions on share capital

On January 7, 2019, the Company issued 3,862,078 common shares to acquire the energy business of Golden Share. The transaction was accounted for as asset acquisition and was recorded at value of \$100,000, which is the total value of the only asset acquired i.e. the prepaid expense to Battelle Memorial Institute (“Battelle”) for research and development related to novel vanadium based solid-state battery technologies. Battelle is run by Pacific Northwest National Laboratory of the United States Department of Energy. The Company issued 1 share to Golden Share for \$1 during the initial registration.

On January 7, 2019, the Company completed a private placement for total proceed of \$100,000 and issued 100,000 units at a price of \$1.00 per unit. Each Unit consists of one common share and one common share purchase warrant (“Warrant”). Each Warrant entitles the holder thereof to acquire one common share at a price of \$1.00 for a period of 36 months from the issuance date.

On November 22, 2019, the Company issued 1,800,000 common shares to Shareholders of Smarten as part of payment to lock up the acquisition agreement of 100% ownership of Smarten (Note 6).

Warrants

	Number of warrants	Exercise price	Expiry date
		\$	
Outstanding on June 19,2018 and January 1,2019	-	-	
Issued	100,000	1.00	January 14, 2022
Outstanding on December 31,2019	100,000	1.00	

NOTE 6. ACQUISITION OF SMARTEN

On November 6, 2019, the Company signed the Agreement with Shareholders of Smarten to acquire 100% ownership of Smarten. According to the Agreement, the Company would issue 1,800,000 common shares and pay Chinese Renminbi 2,000,000 (approximately \$287,282) as the consideration for the acquisition.

On November 22, 2019, the Company issued 1,800,000 common shares to Shareholders of Smarten (Note 5) and the fair value of the shares issued was \$1,170,000. As at December 31, 2019, the transaction has not yet been closed.

NOTE 7. LOAN AGREEMENT

During the year ended December 31, 2019, the Company entered into agreement of short-term unsecured loans to Golden Share up to \$200,000 and released US\$180,000 to Golden Share in total. The unsecured loans bear interest at 1% monthly and pay back upon requested. During the year ended December 31, 2019, the Company accrued \$17,106 interest income for \$180,000 loan.

HARMONY ENERGY TECHNOLOGIES CORPORATION

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 and period from incorporation (June 19,2018) to December 31, 2018

(in United States dollars)

NOTE 8. ADDITIONAL INFORMATION – CASH FLOWS

During the year ended December 31, 2019, the Company issued 3,862,078 common shares to Golden Share to acquire the energy business of Golden Share, which the energy business includes the prepaid R&D expense of \$100,000 to Battelle Memorial Institute. In April 2019, the Company received the full refund of \$100,000.

During the year ended December 31, 2019, the Company issued 1,800,000 common shares to shareholders of Smarten to acquire the 100% ownership of Smarten (Note 6).

NOTE 9. RELATED PARTIES

The Company considers its related parties to consist of key members or former members of its management personnel (including all officers and directors), their close family members, and companies controlled or significantly influenced by such individuals; and reporting shareholders and their affiliates which may exert significant influence over the Company's activities.

During the year ended December 31, 2019, the Company has following related party transactions:

- N. Zeng & Company Inc., a company owned by the President and CEO, provides consulting and administrative services. The Company recorded \$72,000 management fee for the CEO's service (2018: \$Nil)
- The Company recorded \$36,000 professional fee to CFO for the services provide to the Company.

As at December 31, 2019, the Company had \$108,440 due to CEO and \$36,000 due to CFO which were included in trade payable (2018: \$Nil).

Golden Share has common officers with Harmony, and Harmony has loaned \$180,000 to Golden Share, please refer to Note 7 for more detail.

NOTE 10. FAIR VALUE OF FINANCIAL INSTRUMENTS

As at December 31, 2019, all the Company's financial instruments are measured at amortized cost. The carrying value of cash, loan receivable, trade payable and accrued liabilities are considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments.

NOTE 11. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern;
- to increase the value of the Company's assets; and
- to provide an adequate return to shareholders of the Company.

These objectives will be achieved by selling its tested vanadium electrolyte with licensed technology, revenue generated from Shenzhen Smarten Technology Co., Ltd. when the acquisition is closed, either with partners or by the Company's own means.

The Company monitors capital on the basis of the carrying amount of equity. Capital for the reporting periods under review is summarized in the statement of changes in equity (deficit).

HARMONY ENERGY TECHNOLOGIES CORPORATION

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 and period from incorporation (June 19,2018) to December 31, 2018

(in United States dollars)

NOTE 11. CAPITAL MANAGEMENT POLICIES AND PROCEDURES (CONTINUED)

The Company sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares, or sell assets. When financing conditions are not optimal, the Company may enter into option agreements or other solutions to continue its activities or may slow its activities until conditions improve.

No changes were made in the objectives, policies and processes for managing capital during the reporting periods.

NOTE 12. FINANCIAL INSTRUMENT RISKS

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarized in Note 3. The main types of risks the Company is exposed are credit risk and liquidity risk. The Company does not use financial assets for speculative purposes.

No changes were made in the objectives, policies and processes related to financial instrument risk management during the reported periods.

Credit risk

Credit risk is the risk that another party to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date, as summarized below:

	2019	2018
	\$	\$
Cash	6,219	1
Loan receivable	179,106	-
	<u>185,325</u>	<u>1</u>

The credit risk regarding cash is considered to be negligible because the counterparty is a reputable bank with an investment grade external credit rating. Management believes that the credit risk related to the loan receivable to Golden Share (Note 5) is also remote given Golden Share has common officers with Harmony, and Golden Share is working on the payment plan.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount.

Over the past period, the Company has financed its business development commitments, its working capital requirements and acquisitions through private placement. As at December 31, 2019 the Company did not have sufficient cash to pay its trade payable and accrued liabilities which have contractual maturities within twelve months.

HARMONY ENERGY TECHNOLOGIES CORPORATION

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 and period from incorporation (June 19,2018) to December 31, 2018

(in United States dollars)

NOTE 12. FINANCIAL INSTRUMENT RISKS (CONTINUED)

Foreign currency risk

Foreign currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company functional currency is the United States dollars and major purchases are transacted in United States dollars. The Company does not have significant foreign currency risk exposure.

NOTE 13. COMMITMENTS

Royalty for Vanadium Electrolyte License

The Company has the License Agreement with Battelle Memorial Institute ("Battelle") to produce, use and sell vanadium electrolytes developed by Pacific Northwest National Laboratory.

On October 31, 2019, the Company has signed Amendment Agreement (the "Amendment") with Battelle to change the payment term. According to the Amendment, the Company shall pay Battelle minimum royalty on the last day of the following January for preceding calendar year. The following is a schedule of future obligations, while the Company can terminate the agreement at any time upon sixty (60) days written notice in advance.

	Cash payment
	\$
2022	5,000
2023	10,000
2024 and each calendar year thereafter during the term of the agreement	20,000

Commitment to Smarten

The Company will make Chinese Renminbi2,000,000 (approximately \$287,282) cash payment to close the acquisition of 100% ownership of Smarten after the approval from the special shareholders meeting (Note 6).

NOTE 14. INCOME TAXES

The following table reconciles the income tax benefit at the U.S. Federal statutory rate to income tax benefit at the Company's effective tax returns:

	2019	2018
Net loss for the year	\$ (159,049)	\$ -
Statutory tax rate	21.00%	21.00%
Computed expected (benefit) income taxes	\$ (33,400)	-
Income tax benefit not recognized	\$ 33,400	-
Income tax expense	\$ -	\$ -

HARMONY ENERGY TECHNOLOGIES CORPORATION

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 and period from incorporation (June 19,2018) to December 31, 2018

(in United States dollars)

NOTE 14. INCOME TAXES (CONTINUED)

Significant components of deferred income tax assets are as follows:

	2019	2018
Net operating losses carried forward	\$ 33,000	\$ -
Valuation allowance	(33,000)	-
Net deferred tax asset	\$ -	\$ -

The Company has incurred operating losses of approximately \$159,000 which, if unutilized, can be carried forward indefinitely. Future tax benefits, which may arise as a result of these losses, have not been recognized in these financial statements, and have been offset by a valuation allowance. The following table lists the fiscal year in which the loss was incurred and the operating loss carry forwards:

	Amount
2019	159,000
Total net operating loss carry forward	\$ 159,000

NOTE 15. SUBSEQUENT EVENT

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.