

HARMONY ENERGY TECHNOLOGIES CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS
FOR NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

AS OF NOVEMBER 27, 2020

Harmony Energy Technologies Corporation

Management discussion and analysis for the nine-month period ended September 30, 2020

SCOPE OF MD&A AND NOTICE TO INVESTORS

The following management discussion and analysis of the financial position and results of operations ("MD&A"), should be read in conjunction with the unaudited interim condensed consolidated financial statements of Harmony Energy Technologies Corporation ("Harmony" or "Company") for the three-month and nine-month periods ended September 30, 2020.

This MD&A is prepared as of November 27, 2020 and complements unaudited interim condensed consolidated financial statements of the Company for the three-month and nine-month periods ended September 30, 2020.

All financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Committee (IFRIC), and International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). All amounts are in United States dollars unless otherwise indicated. Additional information is provided in the Company's unaudited interim condensed consolidated financial statements for the three-month and nine-month periods ended September 30, 2020.

The unaudited interim condensed consolidated financial statements and the MD&A have been reviewed by the audit committee and approved by the Company's Board of Directors on November 27, 2020. These documents and more information about the Company are available on SEDAR (www.sedar.com).

FORWARD-LOOKING STATEMENTS

Certain statements made in this MD&A are forward-looking statements or information. The Company is hereby providing cautionary statements identifying important factors that could cause the Company's actual results to differ materially from those projected in the forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "may", "is expected to", "anticipates", "estimates", "intends", "plans", "projection", "could", "vision", "goals", "objective" and "outlook") are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. In making these forward-looking statements, the Company has assumed that the current market will continue and grow and that the risks listed below will not adversely impact the business of the Company. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond the control of the Company that could influence actual results include, but are not limited to: the risks could be adapted to the energy storage industry, examples: instability in market prices of metals, foreign currency exchange rate, poorly estimated reserves, risks to the environment (more stringent regulations), battery technologies conditions, regulation and government policy changes (laws or policies), failure to obtain necessary permits and approvals from government authorities, future capital requirements; intellectual property protection and infringement risks; competition; reliance on key management personnel and the other risks factors summarized below under the heading "Risks and Uncertainties".

Further, unless otherwise noted, any forward-looking statement speaks only as of the date of this MD&A, and, except as required by applicable law, the Company does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the business of the Company, or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement.

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CORPORATE OVERVIEW

Harmony Energy Technologies Corporation (“Harmony” or “Company”) is a startup focusing on energy storage business developments.

On June 19, 2018, Harmony 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, Wilmington, Delaware, USA 19808. The Company’s common shares are not listed or quoted on any market at this moment.

On January 14, 2019, the Company completed the acquisition of the Energy Business from Golden Share Resources Corporation (“Golden Share”), a Canadian public Company listed on the TSX Venture Exchange (“TSXV”). For more information on the spinout, please refer to Golden Share’s press releases of January 14, 2019 as well as Golden Share’s management information circular dated October 22, 2018 which both are available at www.sedar.com.

On November 6, 2019, the Company signed an Acquisition Agreement with the shareholders of Shenzhen Smarten Technology Co., Ltd. (“Smarten”) to acquire the 100% ownership of Smarten. The Company would issue 1,800,000 common shares and make a cash payment as Chinese RMB 2,000,000 (approximately \$287,282). The Company has issued 1,800,000 shares upon receiving lockup agreements into total representing approximately 61.24% of total outstanding issued shares to support the acquisition then. On August 28, 2020, The Company received 100% vote in favor from 3.14 million common shares, representing approximately 54.47% of the Company’s issued and outstanding common share. For more information on the acquisition, please refer to the Company’s press release of November 14, 2019.

Smarten is based in Shenzhen, China, with multiyear experiences in research and development, production and sales of lithium-ion energy storage system. Together with Smarten, Harmony will be able to better develop its products line based on the technologies and products previously developed by Smarten.

Since January 1, 2020, the Company has obtained the control over Smarten and deemed Smarten as a wholly owned subsidiary of the Company.

BOARD OF DIRECTORS AND MANAGEMENT

Harmony’s Board of Directors is comprised of five members: Mr. Christian Guilbaud, Mr. Kenneth Charles (“K.C.”) Grainger, Mr. Rui Zhu, Ms. Nan (Nancy) Du and Mr. Nick Zeng as the Chairman. The management team includes Mr. Nick Zeng as President and Chief Executive Officer, Mr. Demin (Fleming) Huang as Chief Financial Officer.

BUSINESS DEVELOPMENTS

Highlights:

1. Developing a Home Intelligent Energy System (“HIES”) and a Portable Power Station (“PPS”). Both HIES and PPS are based on lithium-ion battery technology.
2. The right to access the technology for an advanced vanadium electrolyte (“VE”) for Vanadium Redox Flow Battery (“VRFB”).

Details:

Harmony has been developing two kinds of energy storage systems, one is based on lithium-ion battery technology and the second is with VRFB technology.

Harmony is of the view that lithium-ion battery technology probably is more suitable for personal and residential applications, and VRFB probably would be more suitable for stationary grid applications.

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1) *A Home Intelligent Energy System (“HIES”)*

HIES key specifications:

6 KW continuous power; 15 KWh Capacity. (Could be modified)

Target market:

a) The areas in the United States and Canada with much higher rates for electricity than the national average, including and especially the remote isolated areas and the other off grid areas and applications.

b) For the customers who would like to improve the resilience and reliability of their electricity supply, where the grid is not completely so dependable or for extreme weather conditions.

Development status:

The prototype was delayed and rescheduled to the fourth quarter of 2020 due to the COVID-19 Pandemic.

2) *Portable Power Station (“PPS”)*

PPPS key specifications:

0.5 KW continuous power; 0.5 KWh Capacity.

Target market:

a) Outdoors recreations.

b) Home emergency power backup.

Development status:

The prototype was completed in the second quarter of 2020. A sample was shipped to a client for testing in the third quarter of 2020. A trial production is under preparation and schedule for the fourth quarter of 2020.

3) *Vanadium Redox Flow Batteries (“VRFB”)*

VRFB is a type of rechargeable flow battery that employs vanadium ions in different oxidation states to store potential chemical potential energy. After enormous research and developments since the 1980s, the VRFB is regarded as a mature technology in flow battery technologies.

VRFB offers the following desirable characteristics:

a) demonstrates excellent electrochemical reversibility and length life cycle.

b) the electrolytes are aqueous and inherently safe and non-flammable.

VRFB’s main drawback is a relatively low energy density. The heavy weight of the battery due to aqueous electrolyte therefore limits applications, but still might be well-suited to stationary grid applications.

Development status:

A License Agreement (the “License Agreement”) with Battelle Memorial Institute (“Battelle”) to produce, use and sell vanadium electrolytes developed by Pacific Northwest National Laboratory (“PNNL”) of the United States Department of Energy.

The licensed vanadium electrolytes (“VE”) developed by PNNL have advantages over previous generations, including a wider temperature-operating range and higher energy density, particularly at higher temperatures, constituting a reliability improvement of the licensed VE.

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SELECTED FINANCIAL INFORMATION

During the nine-month period ended September 30, 2020, the Company's selected financial information as the following. All the data is presented in United States dollars.

FINANCIAL POSITION ANALYSIS

The information presented as at September 30, 2020 and December 31, 2019 represents the information of Harmony Energy Technologies Corporation.

	September 30, 2020	December 31, 2019
Assets	2,011,552	1,373,325
Liabilities	1,161,248	162,374
Equity	850,304	1,210,951

ASSETS

The total assets at September 30, 2020 were \$2,011,552 compared to \$1,373,325 at December 31, 2019, an increase of \$638,227. During the nine-month period ended September 30, 2020, the Company started involving the management and operation of Smarten, and the Company consolidated Smarten data into this financial report, which increase the asset of 897,894 and liabilities of \$568,445. (please refer to note 6 of the interim condensed consolidated financial statements dated September 30, 2020). The increased asset was offset with the decreased loan receivable of 73,128 paid back from Golden Share.

LIABILITIES

Total liabilities at September 30, 2020 was \$1,161,248 while \$162,374 at December 31, 2019, an increase of \$998,874, mainly due to the increased liabilities consolidated from Smarten and the agreed \$294,527 (RMB2,000,000) payment to the Smarten former shareholders.

EQUITY

Total equity at September 30, 2020 was \$850,304 compared to \$1,210,951 at December 31, 2019, a decrease of \$360,647 for the net loss and other comprehensive loss caused from the operation and the difference of foreign exchange currency rate.

OPERATING RESULTS ANALYSIS

Readers are invited to take into consideration of the operation results of Harmony for the three-month and nine-month periods ended September 30, 2020 and 2019.

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	Three-month periods ended		Nine-month periods ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Sale revenue	1,039	-	195,801	-
Cost of goods sold	(905)	-	(167,449)	-
Gross margin	134	-	28,352	-
Expense				
Sales expense	(72)	-	(6,142)	-
Product research and development	(45,836)	(3,321)	(131,719)	(3,435)
Administrative expense	(97,211)	(26,892)	(246,531)	(89,543)
Financial expense	(25,054)	-	(28,681)	(120)
Total expense	(168,173)	(30,213)	(413,073)	(93,098)
Non-operation item	5,092	5,440	16,925	11,706
Net Income before income tax	(162,947)	(24,773)	(367,796)	(81,392)
Other comprehensive Income (loss) ("OCI")	14,317	-	7,149	-
Net income (loss) and OCI	(148,630)	(24,773)	(360,647)	(81,392)
Net income (loss) and OCI per share	(0.026)	(0.006)	(0.063)	(0.021)

The above net loss for three-month and nine-month periods ended September 30, 2020 and 2019 is composed as the following:

Sale revenue and gross margin

The Company's sale revenue and gross margin was generated through Smarten. While there were no sale activities for Harmony in 2019.

Research and development

For the three-month and nine-month period ended September 30, 2020, the Company incurred R&D expenditures \$45,836 and \$131,719, respectively, major spent on the Smarten's R&D, included the salaries of researchers, materials and depreciation, etc., while the Company spent \$3,321 and \$3,345 for the license fee during the three-month and nine-month period ended September 30, 2019.

Administrative expenses

Compared the two comparable periods of the three-month and nine-month periods ended September 30, 2020 and 2019, the Company increased administrative expenses of \$70,319 and \$156,988, respectively, which were offset by reduced travel expense. The professional fee increased \$75,852 due to increasing accrued auditing fee and other professional service fee. The detail administrative expenses were presented in the following table.

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	Three-month periods ended		Nine-month periods ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Management fees	(18,000)	(18,000)	(54,000)	(54,000)
Office rent and general	(10,147)	-	(32,990)	-
Salaries and benefits expenses	(7,962)	-	(23,605)	-
Professional services	(41,758)	(4,906)	(85,758)	(9,906)
Regulatory fees	(1,449)	861	(6,303)	(3,729)
Transfer agent fees	(7,281)	(2,637)	(12,458)	(7,343)
Travel, accommodation and meals	-	(2,210)	-	(14,565)
Depreciation & Amortization	(10,614)	-	(31,417)	-
	<u>(97,211)</u>	<u>(26,892)</u>	<u>(246,531)</u>	<u>(89,543)</u>

Financial expenses

During the nine-month period ended September 30, 2020, Smarten entered into six unsecured loans and received total loan of \$245,121 (RMB 1,664,500) and Smarten accrued \$18,652 (RMB 130,480) interest expense, the Company recorded foreign exchange loss of \$10,029 at the same time. During the comparable period in 2019, the company incurred \$120 financial expense.

Non-operation item

During the nine-month period ended September 30, 2020, the Company renewed the short-term unsecured loans agreement with Golden Share and totalling principal of US\$197,106. The unsecured loans bear interest at 1% monthly. During the nine-month period ended September 30, 2020, the Company accrued \$16,847 interest income for loan and received \$73,128 pay back. During the comparable period in 2019, the Company accrued \$11,706 interest income for \$180,000 short-term unsecured loan to Golden Share.

Other comprehensive income (loss)

The Other comprehensive income (loss) is record the unrealized foreign exchange gain (loss) resulted from the change of the foreign exchange rate. During the nine-month period ended September 30, 2020, the Company recorded \$7,149 foreign exchange gain due to the favourable shift in foreign exchange rate.

CASH FLOW ANALYSIS

	Three-month periods ended		Nine-month periods ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Operating activities	(95,160)	(4,980)	(223,027)	(9,921)
Investing activities	51,896	-	73,660	(80,000)
Financing activities	43,079	-	145,590	100,000

THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

Operating Activities

During the nine-month period ended September 30, 2020, the operating activities used cash flows of \$223,027 in 2020 compared to \$9,921 for the same period in 2019. In 2020, the operating cash flow out caused from the operating activities, the company acquired the Smarten and consolidate the data from Smarten. In 2019, the operating cash out include the \$100,000 prepaid research expenditure transfer from Golden Share as part of energy storage asset, which the \$100,000 was refunded during the nine-month period ended September 30, 2019.

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Investing Activities

During the nine-month period end September 30, 2020, the Company received \$73,660 from investing activities, include loan payback of \$73,128 and the \$1,503 cash from Smarten due to the acquisition, which the cash inflow was offset by the purchase fixed asset of \$971. At the comparable period in 2019, the Company received \$100,000 prepaid research expenditure refund. The \$100,000 was offset by the \$180,000 loan released in the same period.

Financing Activities

The Company received \$145,590 loan from other parties during the nine-month period ended September 30, 2020 while the Company received \$100,000 from private placement during comparable period in 2019.

QUARTERLY RESULTS TREND (IN THOUSANDS OF \$)

The following table presented the operating results for each of the last eight quarters. Management considers that the information for each of those quarters was determined in the same way as for our audited financial statements for the year ended December 31, 2019.

	2020			2019				2018
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	1	39	156	-	-	-	-	-
Net loss and other comprehensive loss	149	126	85	73	20	21	29	-
Basic and diluted net loss per common share	0.026	0.022	0.015	0.016	0.006	0.007	0.008	-

LIQUIDITY, CAPITAL RESOURCES AND SOURCES OF FINANCING

The Company has operating losses currently. To date, the Company has been financed primarily through unsecured loans.

As of September 30, 2020, the Company had a cash position of \$2,441 and the Company has a negative working capital of \$960,017. The Company believes it will not have sufficient liquidity to fund its operations and capital needs for the next 12 months and consequently intends to raise capital to generate cash in sufficient amounts to meet its planned business objectives.

The Company has to make a royalty payment of one and five tenths of one percent of electrolyte sales revenues to Battelle to fulfil its commitments related to license agreement with the Battelle, and the minimum royalty cash payment of US\$5,000 in 2022, US\$10,000 in 2023 and US\$20,000 in 2024 and each calendar year thereafter during the term of the agreement. The Company can terminate the agreement at any time upon sixty (60) days written notice in advance.

The Company will make Chinese RMB2,000,000 (approximately \$294,527) cash payment to Smarten's former shareholders to close the acquisition of 100% ownership of Smarten after the approval from the shareholders meeting.

INFORMATION ON OUTSTANDING SECURITIES

The following table sets out the number of common shares and warrants outstanding as of the date hereof:

Common shares issued and outstanding	5,762,079
Potential issuance of common shares	
Warrants	100,000
Fully diluted shares	5,862,079

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RELATED PARTY TRANSACTIONS

The Company has not entered into any other related party transaction except the disclosure in Note 14 of the interim condensed consolidated financial statements for the nine-month period ended September 30, 2020.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The Company prepares its financial statements in accordance with IFRS, which require management to make estimates and assumptions that affect the amounts of its assets and liabilities, the information provided with regard to future assets and liabilities as well as the amounts of revenues and expenses for the relevant periods. Readers are invited to refer to the Note 4 of the financial statements for the year ended December 31, 2019 and the Note 4 of the unaudited interim condensed consolidated financial statements for the nine-month period ended September 30, 2020 for details.

FUTURE CHANGES IN ACCOUNTING POLICIES

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board (IASB) but are not yet effective and have not been adopted early by the Company.

Management anticipates that all the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Readers are invited to refer to the financial statements for the year ended December 31, 2019 for a full description of these new standards.

GOING CONCERN ASSUMPTION

The Company's financial statements were prepared according to the IFRS and under the going concern assumption. They do not reflect adjustments that should be made to the book value of assets and liabilities, the reported amounts of income and expenses and the classification of balance sheet postings if the going concern assumption was unfounded. These adjustments could be important.

RISKS RELATED TO FINANCIAL INSTRUMENTS

Capital market conditions and other unforeseeable events may impact the Company's ability to finance and develop its projects.

The Company intends to continue the evaluation and development of its energy business subject to the availability of financing on acceptable terms. The Company intends to finance these activities either through existing financial resources or through additional equity or quasi-equity financing. However, there can be no assurance that the Company will be able to raise such additional equity.

Additional information on the Company can be found on SEDAR (www.sedar.com).