

# **HARMONY ENERGY TECHNOLOGIES CORPORATION**

## *Audited Financial Statements*

Year ended December 31, 2020 and 2019

(Expressed in United States dollars)

# HARMONY ENERGY TECHNOLOGIES CORPORATION

## FINANCIAL STATEMENTS

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of Harmony Energy Technologies Corporation.

### Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Harmony Energy Technologies Corporation. (the "Company") as of December 31, 2020, 2019 and 2018, and the related consolidated statements of operations and comprehensive loss, cash flows and changes in stockholders' equity (deficiency), and for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2020, 2019 and 2018, and its financial performance and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which describe the events and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2018.

*Kreston GTA LLP*

### Chartered Professional Accountants

### Licensed Public Accountants

Markham, Canada

April 30, 2021

**HARMONY ENERGY TECHNOLOGIES CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

As of December 31, 2020, 2019 and 2018

(in US Dollars)

	Note	2020	2019	2018
<b>ASSETS</b>				
Current Assets:				
Cash		\$ 63,990	\$ 6,219	\$ 1
VAT recoverable		44,260	-	-
Prepaid expenses and other assets		55,317	-	-
Right-of-use assets	9	38,660	-	-
Loan to related party	7	43,528	197,106	-
Shares issued for acquisition of Smarten		-	54,000	-
<b>Total Current Assets</b>		<b>245,755</b>	<b>257,325</b>	<b>1</b>
Non-Current Assets:				
Equipment	8	20,126	-	-
<b>Total Assets</b>		<b>\$ 265,881</b>	<b>\$ 257,325</b>	<b>\$ 1</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
Current Liabilities				
Accounts payable and accrued liabilities		\$ 88,771	\$ 162,374	\$ -
Deferred revenue		2,443	-	-
Lease liabilities	9	39,385	-	-
Loan payable	10	362,805	-	-
Loan from related parties		386,384	-	-
<b>Total Liabilities</b>		<b>879,788</b>	<b>162,374</b>	<b>-</b>
Stockholders' Equity:				
Share capital	5	1,084	576	1
Additional paid in capital	5	760,916	253,424	-
Accumulated deficit		(1,344,101)	(159,049)	-
Accumulated other comprehensive loss		(31,806)	-	-
<b>Total Stockholders' Equity</b>		<b>(613,907)</b>	<b>94,951</b>	<b>1</b>
<b>Total Liabilities and Stockholders' Equity</b>		<b>\$ 265,881</b>	<b>\$ 257,325</b>	<b>\$ 1</b>

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

Approved on behalf of the Board

"Christian Guilbaud", Director

"Kenneth Charles Grainger", Director

**HARMONY ENERGY TECHNOLOGIES CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**

For the years ended December 31, 2020, 2019 and 2018

(in US Dollars)

	Note	2020	2019	2018
<b>Revenue</b>		\$ 48,020	\$ -	\$ -
Cost of goods sold		(36,766)	-	-
<b>Gross Profit</b>		11,254	-	-
<b>Operating Expenses</b>				
Energy license related expenditures		(4,451)	(3,746)	-
Depreciation	8	(16,209)	-	-
Professional and management fees		(185,749)	(126,503)	-
Office and general	11	(69,226)	(45,781)	-
Research and development		(114,047)	-	-
Stock based compensation	5	(180,000)	-	-
Financial expenses		(49,482)	(120)	-
Acquisition costs	6	(580,965)	-	-
Total Operating Expenses		(1,200,129)	(176,150)	-
<b>Operating Income (Loss)</b>		<b>(1,188,875)</b>	<b>(176,150)</b>	-
Other Income (Expenses)				
Interest income	7	19,666	17,106	-
Loss on disposal	8	(1,727)	-	-
Foreign exchange loss		(14,116)	(5)	-
<b>Loss, Net of Income Tax</b>		<b>(1,185,052)</b>	<b>(159,049)</b>	-
Foreign currency translation differences of foreign operations		(31,806)	-	-
<b>Comprehensive Loss</b>		<b>\$ (1,216,858)</b>	<b>\$ (159,049)</b>	<b>\$ -</b>
Basic net income per share		\$ (0.21)	\$ (0.04)	\$ -
Weighted average number of common shares outstanding		5,803,718	4,078,423	1

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

**HARMONY ENERGY TECHNOLOGIES CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)**

As of December 31, 2020, 2019 and 2018

(in US Dollars)

	Note	Number of Common Share	Par Value	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balance - June 19, 2018 (Incorporation)</b>		-	\$ -	\$ -	\$ -	\$ -	\$ -
Initial share issued for cash		1	-	1	-	-	1
<b>Balance - December 31, 2018</b>		<b>1</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>
Share issued for acquisition of energy business		3,862,078	386	99,613	-	-	99,999
Shares issued for private placement		100,000	10	99,990	-	-	100,000
Shares issued for acquisition of Smarten		1,800,000	180	53,820	-	-	54,000
Net loss		-	-	-	(159,049)	-	(159,049)
<b>Balance - December 31, 2019</b>		<b>5,762,079</b>	<b>576</b>	<b>253,424</b>	<b>(159,049)</b>	<b>-</b>	<b>94,951</b>
Shares issued for private placement		1,000,000	100	99,900	-	-	100,000
Shares issued for debt settlement		2,280,000	228	227,772	-	-	228,000
Shares issued to Officers and Consultants as compensation		1,800,000	180	179,820	-	-	180,000
Net loss		-	-	-	(1,185,052)	-	(1,185,052)
Foreign currency translation differences of foreign operations		-	-	-	-	(31,806)	(31,806)
<b>Balance - December 31, 2020</b>		<b>10,842,079</b>	<b>\$ 1,084</b>	<b>\$ 760,916</b>	<b>\$ (1,344,101)</b>	<b>\$ (31,806)</b>	<b>\$ (613,907)</b>
			-	-	-	-	-

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

# HARMONY ENERGY TECHNOLOGIES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020, 2019 and 2018

(in United States dollars)

### HARMONY ENERGY TECHNOLOGIES CORPORATION CONSOLIDATED STATEMENTS OF CASH FLOWS

As of December 31, 2020, 2019 and 2018

(in US Dollars)

	Note	2020	2019	2018
<b>OPERATING ACTIVITIES</b>				
Net loss		\$ (1,185,052)	\$ (159,049)	-
Non-cash items:				-
Interest income	7	(19,666)	(17,106)	-
Stock based compensation	5	180,000	-	-
Loss on disposal	8	1,727	-	-
Depreciation	8	16,209	-	-
Interest expense		31,119	-	-
Rent expense		45,366	-	-
Acquisition Cost	6	580,965	-	-
Change in non-cash working capital items		-	-	-
Prepaid expenses and other assets		30,337	-	-
Accounts payable an accrued liabilities		123,897	162,374	-
Deferred revenue		(4,009)	-	-
<b>Cash Flow From Operating Activities</b>		<b>(199,107)</b>	<b>(13,781)</b>	<b>-</b>
<b>INVESTING ACTIVITIES</b>				
Proceeds received from energy business acquisition		-	99,999	-
Loans to related party		-	(180,000)	-
Repayment received from related party	7	173,244	-	-
Proceeds from acquisition of Smarten, net of cash	6	1,503	-	-
Payments to purchase capital assets		(1,051)	-	-
<b>Cash Flow From Investing Activities</b>		<b>173,696</b>	<b>(80,001)</b>	<b>-</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds from private placement	5	100,000	100,000	1
Proceeds received from third party loans	10	143,980	-	-
Proceeds from related party loan	10	4,871	-	-
Repayment to related party loan	10	(100,577)	-	-
Lease payment	9	(42,767)	-	-
<b>Cash Flow From Financing Activities</b>		<b>105,507</b>	<b>100,000</b>	<b>1</b>
Effect of foreign exchange rate fluctuation on cash		(22,325)	-	-
<b>Net change in cash during the period</b>		<b>80,096</b>	<b>6,218</b>	<b>1</b>
<b>Cash, beginning of period</b>		<b>6,219</b>	<b>1</b>	<b>-</b>
<b>Cash, end of period</b>		<b>\$ 63,990</b>	<b>\$ 6,219</b>	<b>\$ 1</b>

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

# HARMONY ENERGY TECHNOLOGIES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020, 2019 and 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 which 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 an acquisition agreement (the "Agreement") to acquire the 100% ownership of Smarten technology Co., Ltd. ("Smarten") (Note 6). On November 22, 2019, the Company issued 1,800,000 common shares to the shareholders of Smarten as part of payment for the acquisition. On January 1, 2020, the Company acquired the control of Smarten.

### NOTE 2. GOING CONCERN ASSUMPTION

These financial statements have been prepared on the basis of the going concern assumption which contemplates that 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, 2020, the Company has an accumulated deficit of \$1,344,101 (2019 – \$159,049, 2018 – 0) and working capital deficit of \$634,033 (2019 – working capital surplus of \$94,951, 2018 – 0) which will not be sufficient to support the Company's needs for cash during this and the coming year. In addition, the COVID-19 pandemic has had a significant negative impact on the Company's consolidated financial statements as of December 31, 2020 and for the year then ended, and management expects the pandemic to continue to have a negative impact in the foreseeable future, the extent of which is uncertain and largely subject to whether the severity of the pandemic worsens, or duration lengthens. In the event that the COVID-19 pandemic and the economic disruptions it has caused continue for an extended period of time the Company cannot assure that it will remain in compliance with the financial covenants in its credit facilities. 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 Presentation

These consolidated financial statements were prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP")

The financial statements have been approved and authorized for issue by the Board of Directors on April 30, 2021.



# HARMONY ENERGY TECHNOLOGIES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020, 2019 and 2018

(in United States dollars)

### NOTE 3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

#### **Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Smarten Technology Co., Ltd. (“Smarten”). Smarten is a company registered in China. All significant intercompany accounts and transactions have been eliminated on consolidation.

#### **Business combinations**

We account for acquisition of Smarten as a business combination under the acquisition method of accounting, which that the assets acquired and the liabilities assumed be recorded at their acquisition date at their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. Acquisition-related costs are expensed as incurred in the consolidated financial statements. Significant judgments are used in determining the estimated fair values assigned to the assets acquired and liabilities assumed and in determining estimates of useful lives of long-lived assets acquired. Estimates of the fair values of assets acquired and liabilities assumed are based upon assumptions believed to be reasonable, and when appropriate, include assistance from independent third-party appraisal firms. While we use our best estimates and assumptions to value assets, acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Overpayment are best addressed through subsequent impairment testing of goodwill. However, when there is evidence to suggest that the business combination transaction is not an exchange of equal values, such overpayments should be expensed at acquisition date.

#### **Functional and presentation currency**

The financial statements are presented in United States dollars, which is also the functional currency of the Company. The functional currency of Smarten is Chinese Yuan (“CNY”).

#### **Foreign currency transactions and balances**

In respect of transactions denominated in currencies other than the Company and its subsidiaries’ functional currencies, the monetary assets and liabilities are remeasured at the period end rates. Revenue and expenses are remeasured at rates of exchange prevailing on the transaction dates. All of the exchange gains or losses resulting from these transactions are recognized in the consolidated statements of operations.

When the Company translates the financial statements of subsidiaries from their functional currency to presentation currency, assets and liabilities are translated into United States dollars at the exchange rate in effect at the balance sheet date. Share capital, contributed surplus, other comprehensive (loss) income, and accumulated deficits are translated into United States dollars at historical exchange rates. Revenues and expenses are translated into United States dollars at the average exchange rate for the year. Foreign exchange gains and losses on translation are included in other comprehensive (loss) income.

#### **Right-of-use assets & lease liabilities**

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date according to ASC 842 Leases. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the initial amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. Right-of-use assets are subject to impairment.

# HARMONY ENERGY TECHNOLOGIES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020, 2019 and 2018

(in United States dollars)

### NOTE 3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

At the commencement date of the lease, the Company recognizes a lease liability measured at the present value of lease payments to be made over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

#### Cash

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

#### Inventories

Inventories are stated at the lower of cost or net realizable value and include raw materials, work in progress and finished goods. Cost is determined as follows: Raw Materials and Work in Progress ("WIP") – Cost is determined on a standard cost basis utilizing the weighted average cost of historical purchases, which approximates actual cost. The cost of WIP and finished goods includes the cost of raw materials and the applicable share of the cost of labor and fixed and variable production overheads.

The Company regularly evaluates the value of inventory based on a combination of factors including the following: historical usage rates, product end of life dates, technological obsolescence and product introductions. The Company includes demonstration units within inventories. Proceeds from the sale of demonstration units are recorded as revenue.

#### Equipment

Equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Depreciation commences when the asset is available for use and is charged to the consolidated statements of net loss on a straight-line basis over the useful life of the asset as outlined below:

Equipment	3 years
Furniture and fixtures	5 years

When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the consolidated balance sheets, and any resulting gain or loss is reflected in the consolidated statements of operations.

#### Revenue recognition

The Company adopted Accounting Standards Codification ("ASC") 606 "Revenue from contract with customers" ("ASC 606") on June 19, 2018 (the incorporation date) using the modified retrospective method for all contracts not completed as of the date of adoption.

The Company generates revenue from the sales of lithium-ion energy storage system. According to ASC 606, revenue is recognized based on the following five steps: (1) identification of the contract(s) with the customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; and (4) allocation of the transaction price to the separate performance obligations in the contract; and (5) recognition of revenue when (or as) the entity satisfies a performance obligation.

#### Cost of goods sold

For product sales, the costs of goods sold are recognized upon shipment to the customer or distributor.

# HARMONY ENERGY TECHNOLOGIES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020, 2019 and 2018

(in United States dollars)

### NOTE 3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

#### Impairment of long-lived assets

The Company accounts for the impairment of long-lived assets in accordance with FASB, Accounting Standards Codification ("ASC") 360-10, "Accounting for the Impairment of Long-Lived Assets". This standard requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the assets' carrying amounts may not be recoverable. For assets that are to be held and used, impairment is assessed when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying values. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value and estimated net realizable value. During the years ended December 31, 2020 and 2019, there was no impairment of long-lived assets.

#### Fair value measurement

Financial assets and financial liabilities are initially recognized at fair value when the Company becomes a party to the contractual provision of the financial instrument. Subsequently, all financial instruments are measured at amortized cost using the effective interest method.

The financial instruments of the Company consist of cash, accounts receivable, loan receivable, accounts payable and accrued liabilities, loan payable, and lease liability. The fair value of the financial instruments approximates their carrying values due to their short-term nature.

The Company measures the fair value of its financial assets and liabilities using the fair value hierarchy. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The accounting guidance establishes a three-tiered hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses. The update is intended to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The new standard is effective for fiscal years beginning after December 15, 2019 (i.e., a January 1, 2020 effective date), with early adoption permitted for fiscal years beginning after December 15, 2018. The Company adopted the standard on January 1, 2019.

# HARMONY ENERGY TECHNOLOGIES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020, 2019 and 2018

(in United States dollars)

### NOTE 3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

#### Income taxes

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

#### 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.

#### Stock-based compensation

The Company accounts for stock-based compensation in accordance with ASC 718, “Compensation – Stock Compensation” (“ASC 718”). ASC 718 requires companies to estimate the fair value of equity-based payment awards on the date of grant. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service period in the Company’s consolidated statements of operations.

The fair value of stock options (“options”) on the grant date is estimated using the Black-Scholes option-pricing model using the single-option approach. The Black-Scholes option pricing model requires the use of highly subjective and complex assumptions, including the option’s expected term and the price volatility of the underlying stock, to determine the fair value of the award. The Company recognizes compensation expenses for the value of its awards granted based on the straight-line method over the requisite service period of each of the awards. The Company has made a policy choice to account for forfeitures when they occur.

Stock options granted to non-employees are based on the fair value on the grant date and re-measured at the end of each reporting period based on the fair value until the earlier of the options being fully vested and completion of the performance obligations. These are subject to a service vesting condition and are recognized on a straight-line method over the requisite service period. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Estimated forfeitures are based on historical pre-vesting forfeitures.

#### Loss per share

The Company computes loss per share in accordance with ASC Topic 260, “Earnings Per Share” (“ASC 260”) and related guidance, which requires two calculations of loss attributable to the Company’s shareholders per share to be disclosed: basic and diluted. Diluted loss per share is the same as basic loss per share for the years in which the Company had a net loss because the inclusion of outstanding common stock equivalents would be anti-dilutive.

# HARMONY ENERGY TECHNOLOGIES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020, 2019 and 2018

(in United States dollars)

### NOTE 3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

#### Recently issued accounting standards not yet adopted

In April 2020, Financial Accounting Standards Board (the “FASB”) issued a Staff Question-and-Answer Document (Q&A): ASC Topic 842 and ASC Topic 840: Accounting for Lease Concessions Related to the Effects of the COVID-19 Pandemic, that focuses on the application of the lease guidance for lease concessions related solely to the effects of COVID-19. The FASB issued the guidelines to reduce the burden and complexity for companies to account for such lease concessions (e.g., rent abatements or other economic incentives) under current lease accounting rules due to COVID-19 by providing certain practical expedients that can be used. This guidance can be applied immediately. The Company anticipates that the adoption of the guidance will not have a material impact on the Company’s consolidated financial statements.

In March 2020, the FASB issued Accounting Standards Update (“ASU”) 2020-04 - Facilitation of the Effects of Reference Rate Reform on Financial Reporting (ASC Topic 848). This authoritative guidance provides optional relief for companies preparing for the discontinuation of interest rates such as LIBOR, which is expected to be phased out at the end of calendar 2021, and applies to lease contracts, hedging instruments, held-to-maturity debt securities and debt arrangements that have LIBOR as the benchmark rate. This guidance can be applied for a limited time, as of the beginning of the interim period that includes March 12, 2020 or any date thereafter, through December 31, 2022. The guidance may no longer be applied after December 31, 2022. In January 2021, the FASB issued authoritative guidance that makes amendments to the new rules on accounting for reference rate reform. The amendments clarify that all derivative instruments affected by the changes to interest rates used for discounting, margining or contract price alignment, regardless of whether they reference LIBOR, or another rate expected to be discontinued as a result of reference rate reform, an entity may apply certain practical expedients in ASC Topic 848. The Company is currently assessing the impact of applying this guidance as well as when to adopt this guidance.

In February 2020, the FASB issued authoritative guidance (ASU 2020-02 – Financial Instruments – Credit Losses (Topic 326) and Leases (Topic 842)) that amends and clarifies Topic 326 and Topic 842. For Topic 326, the codification was updated to include the SEC staff interpretations associated with registrants engaged in lending activities. ASC Topic 326 is effective for annual periods beginning after January 1, 2023, including interim periods within those fiscal years. The Company is currently evaluating the impact of applying this guidance on its financial instruments, such as accounts receivable.

### NOTE 4. ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of these consolidated financial statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates and assumptions made in the accompanying consolidated financial statements include, but are not limited to, the implicit interest rate used to record lease liabilities, allowance for doubtful accounts, inventory valuation, the valuation and measurement of deferred tax assets and liabilities, useful lives of property and equipment, valuation of acquired assets and assumed liabilities, recognition of intangible assets and goodwill for the business combination. The Company evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors and adjusts those estimates and assumptions when facts and circumstances dictate. Actual results could materially differ from those estimates.

#### Judgments

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

# HARMONY ENERGY TECHNOLOGIES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020, 2019 and 2018

(in United States dollars)

### NOTE 4. ESTIMATES, JUDGMENTS AND ASSUMPTIONS (CONTINUED)

#### *Energy Storage Business spin off from Golden Share*

ASC805 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 substantive processes that together significantly contribute to the ability to create outputs. Management assessed the transaction as asset acquisition due to the spin off energy storage business did not include processes and outputs.

#### *Acquisition of Smarten*

The Corporation accounts for business combinations using the acquisition method when control is transferred to the Corporation. The Company measured the identifiable assets and liabilities assumed at their fair value at the acquisition date. Acquisition related costs are recognized in profit or loss as incurred.

The management assessed the acquisition of Smarten is a business acquisition and the Company has obtained the control over Smarten since January 1, 2020 and deemed Smarten as the wholly owned subsidiary of the Company since then.

#### *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 accounts receivable and the loan receivable*

Accounts receivable and loan receivable was assessed for the expected credit loss at each reporting date. 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.

#### *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.

#### *Business acquisition of Smarten*

In a business combination, the Corporation may acquire assets and assume certain liabilities of an acquired entity. Estimates are made as to the fair value of property and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property and equipment, intangible assets and goodwill acquired, the Corporation may rely on independent third-party valutors. The determination of these fair values involves a variety of assumptions, include revenue growth rates, expected operating income, discount rates, and earnings multiples.

# HARMONY ENERGY TECHNOLOGIES CORPORATION

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### NOTE 4. ESTIMATES, JUDGMENTS AND ASSUMPTIONS (CONTINUED)

#### *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 will adjust future income tax provisions or recoveries.

### 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 twenty million (20,000,000) of common shares with par value of \$0.0001 per share.

#### Transactions on share capital

	Number of Shares	Unit Price	Fair Value
<b>Outstanding as of June 19, 2018 (Incorporation)</b>	-	\$ -	\$ -
Initial share issued for cash (i)	1	\$ 1.00	1
<b>Outstanding as of December 31, 2018</b>	<b>1</b>		<b>1</b>
Share issued for acquisition of energy business (ii)	3,862,078	\$ 0.03	99,999
Shares issued for private placement (iii)	100,000	\$ 1.00	100,000
Shares issued for acquisition of Smarten (iv)	1,800,000	\$ 0.03	54,000
<b>Outstanding as of December 31, 2019</b>	<b>5,762,079</b>		<b>254,000</b>
Shares issued for private placement (v)	1,000,000	\$ 0.10	100,000
Shares issued for debt settlement (vi)	2,280,000	\$ 0.10	228,000
Shares issued to Officers and Consultants as compensation (vii)	1,800,000	\$ 0.10	180,000
<b>Outstanding as of December 31, 2020</b>	<b>10,842,079</b>		<b>\$ 762,000</b>

- (i) The Company issued 1 share to Golden Share for \$1 during the initial registration.
- (ii) 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 f \$100,000, which was the value of net 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. The prepaid expense of \$100,000 was refunded to the Company in April 2019.
- (iii) 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.
- (iv) On November 22, 2019, the Company issued 1,800,000 common shares to the shareholder of Smarten as part of payment to lock down the acquisition agreement of 100% ownership of Smarten (Note 6).

# HARMONY ENERGY TECHNOLOGIES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 5. SHARE CAPITAL (CONTINUED)

- (v) On December 28, 2020, the Company completed a private placement for total proceed of \$100,000 and issued 1,000,000 units at a price of \$0.10 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 \$0.25 for a period of 36 months from the issuance date.
- (vi) On December 28, 2020, the Company settled accounts payable with key management personnel for an aggregate amount of \$228,000 by issuing 2,280,000 common shares.
- (vii) On December 28, 2020, the Company issued 1,800,000 common shares to compensate certain independent consultants, directors and officers at a price of \$0.10 per share.

#### Warrants

	Number of Warrants	Exercise Price	Fair Value	Weighted Average Remaining Life (Years)	Expiry Date
<b>Outstanding as of June 19, 2018 (Incorporation)</b>	-	\$ -	\$ -	-	
No activity	-				
<b>Outstanding as of December 31, 2018</b>	-		-	-	-
Issued for private placement	100,000	\$ 1.00	35,457	1.04	January 13, 2022
<b>Outstanding as of December 31, 2019</b>	<b>100,000</b>		<b>35,457</b>		
Issued for private placement	1,000,000	\$ 0.25	29,415	2.99	December 28, 2023
<b>Outstanding as of December 31, 2020</b>	<b>1,100,000</b>		<b>\$ 64,872</b>	<b>2.82</b>	

### NOTE 6. ACQUISITION OF SMARTEN

On November 6, 2019, the Company signed the Agreement with the shareholder of Smarten to acquire 100% ownership of Smarten. According to the Agreement, the Company would issue 1,800,000 common shares and pay \$287,280 (Chinese Yuan ¥2,000,000) as the consideration for the acquisition.

On November 22, 2019, the Company issued 1,800,000 common shares to the shareholder of Smarten (Note 5) and the fair value of the shares issued was determined as \$54,000.

The Company obtained the control over Smarten and Smarten started operation as the wholly owned subsidiary of Harmony on January 1, 2020, which was determined as the acquisition date. The Company has accounted the acquisition of Smarten as business combination because Smarten has operational processes in place to build and sell energy storage devices by using its assets and intellectual properties.



# HARMONY ENERGY TECHNOLOGIES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 6. ACQUISITION OF SMARTEN (CONTINUED)

Following is the summary of the allocation of the purchase price of \$341,280 to the identifiable assets and liabilities of Smarten:

Cash	287,280	
Common shares	54,000	
<b>Total Consideration</b>		<b>341,280</b>
<b>Purchase Price Allocation:</b>		
Cash	1,503	
Prepaid expenses and other assets	14,429	
Other receivable	8,131	
Inventory	63,094	
Equipment	35,692	
Accounts payable and accrued liabilities	(30,500)	
Deferred revenue	(6,452)	
Other payable	(181,942)	
Loan payable	(143,640)	
Purchase Price Allocated		(239,685)
<b>Overpayment on Acquisition</b>		<b>580,965</b>

The overpayment of \$580,965 has been record as acquisition costs on January 1, 2020.

In September 2020, the Company entered into to a loan agreement with the original shareholder of Smarten for the unpaid cash consideration of \$287,280 (Chinese Yuan ¥2,000,000). Since September 2020, the loan bears annual interest of 18% and due on March 1, 2021. The Company accrued interest expenses of \$18,380 for the cash consideration during the year ended December 31, 2020.

### NOTE 7. LOAN TO RELATED PARTY

During the year ended December 31, 2019, the Company entered into agreement of a short-term unsecured loan to Golden Share up to \$200,000 and released US\$180,000 to Golden Share in total. The unsecured loan bears annul interest of 12% and pay back upon requested. During the year ended December 31, 2019, the Company accrued \$17,106 interest income for \$180,000 loan.

During the year ended December 31, 2020, the Company renewed the loan agreement with Golden Share, and the unpaid interest was capitalized, therefore the total principal amount is \$197,106 when renew. The Company accrued \$19,666 interest income for the loan and received \$173,244 repayments during the year ended December 31, 2020. As December 31, 2020, the Company remain the balance of \$43,528 include of \$500 unpaid interest. The outstanding balance of \$43,528 plus additional accrued interest of \$498 has been fully received in February 2021.

# HARMONY ENERGY TECHNOLOGIES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 8. PROPERTY AND EQUIPMENT

COST	Equipments	Computer and Office Equipment	Total
<b>Balance - December 31, 2019</b>	\$ -	\$ -	\$ -
Addiion from acquisition of Smarten	6,810	47,086	53,896
Addition	1,051	-	1,051
Write off	(3,005)	(1,324)	(4,329)
Foreign currency translation differences	452	2,074	2,526
<b>Balance - December 31, 2020</b>	<b>\$ 5,308</b>	<b>\$ 47,836</b>	<b>\$ 53,144</b>

Accumulated Depreciation	Equipments	Computer and Office Equipment	Total
<b>Balance - December 31, 2019</b>	\$ -	\$ -	\$ -
Addiion from acquisition of Smarten	1,694	16,510	\$ 18,204
Amortization	1,353	14,856	16,209
Write off	(1,367)	(1,235)	(2,602)
Foreign currency translation differences	112	1,095	1,207
<b>Balance - December 31, 2020</b>	<b>\$ 1,792</b>	<b>\$ 31,226</b>	<b>\$ 33,018</b>

Net Book Value	Equipments	Computer and Office Equipment	Total
<b>Balance - December 31, 2019</b>	\$ -	\$ -	\$ -
<b>Balance - December 31, 2020</b>	<b>\$ 3,516</b>	<b>\$ 16,610</b>	<b>\$ 20,126</b>

In connection with the acquisition of Smarten (Note 6), the Company acquired equipment with a carrying value of \$35,692. During the year ended December 31, 2020, the Company expensed \$16,209 (2019, \$Nil) in depreciation. Further, some of the equipment were damaged and written off by management and a loss on disposal in the amount of \$1,727 was recorded.

### NOTE 9. USE-OF-ASSETS AND LEASE LIABILITIES

Commencing January 1, 2020, the Company involved the operation and management of Smarten. Smarten entered a two-year office lease agreement on November 13, 2019. According to ASC 842 leases, the Company recognized the right-of use asset and lease liability since January 1, 2020 and used the incremental borrowing rate of 18% to estimate their fair value. The continuity of the right-of-use asset and lease liabilities arising from this lease in China as following:

ROU Asset	Office
<b>Balance - December 31, 2019</b>	\$ -
Addiion from acquisition of Smarten	73,967
Depreciation during the year	(35,307)
Foreign currency translation differences	-
<b>Balance - December 31, 2020</b>	<b>\$ 38,660</b>

# HARMONY ENERGY TECHNOLOGIES CORPORATION

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### NOTE 9. USE-OF-ASSETS AND LEASE LIABILITIES (CONTINUED)

Lease Liability	Total
Balance - December 31, 2019	\$ -
Addition from acquisition of Smarten	73,967
Interest expense	10,059
Lease payments	(42,767)
Foreign currency translation differences	(1,874)
<b>Balance - December 31, 2020</b>	<b>\$ 39,385</b>

The undiscounted cash flow is \$42,838 within one year.

### NOTE 10. LOAN PAYABLES

In January 2020, Smarten entered into an agreement of six-month unsecured loans for \$45,951 (CNY ¥300,000) and renew the loan in July 2020, the loan bears interest at 18% annually. The Company accrued interest expense of \$8,041 for this loan and pay the interest of \$7,582 during the year ended December 31, 2020 (2019 – Nil).

In January 2020, Smarten entered into another agreement of six-month unsecured loans for \$45,951 (CNY ¥300,000) and renew the loan in July 2020, the loan bears interest at 20% annually. The Company accrued interest expense of \$9,228 for this loan during the year ended December 31, 2020 (2019 – Nil).

In May 2020, Smarten entered into another agreement of six-month unsecured loans for \$15,317 (CNY ¥100,000) and the loan bears interest at 20% annually. The Company accrued interest expense of \$1,812 for this loan (2019 – Nil).

In August 2020, Smarten entered into another six-month unsecured loan agreement for \$15,317 (CNY ¥100,000) and the loan bears interest at 20% annually. The Company accrued interest expense \$1,524 for this loan (2019 – Nil).

In July 2020, Smarten entered into a loan agreement with a previous employee for \$56,673 (CNY ¥370,000). The loan bears 18% interest annually and due on December 31, 2020. The Company accrued interest expense of \$5,100 for this loan, the Company paid the interest in the amount of \$4,250.

### NOTE 11. ADMINISTRATIVE EXPENSES BY NATURE

	2020	2019
Transfer agent fee	\$ 14,933	\$ 9,914
Regulatory fee	6,602	4,021
Travel, accommodation and meals	274	31,285
Office rent and related expenses	43,804	-
Sales related expenses	1,694	-
Others	1,919	561
	<b>\$ 69,226</b>	<b>\$ 45,781</b>

# HARMONY ENERGY TECHNOLOGIES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 12. 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, 2020, the Company has following related party transactions:

- A company owned by the President and CEO provides consulting and administrative services to the Company. The Company recorded \$72,000 management fee for the CEO's service (2019 – \$72,000).
- The Company recorded \$48,000 (2019 – \$36,000) professional fee to CFO for the services provided.

During the year ended December 31, 2020, the Company settled accounts payable with CEO and CFO for an aggregate amount of \$228,000 by issuing 2,280,000 common shares.

The Company has common officers with Golden Share, and the Company has loaned \$180,000 to Golden Share in 2019, please refer to Note 7 for more detail.

In July 2020, Smarten entered into a loan agreement with the CEO for a loan of \$55,830 (CNY ¥364,500). The loan bears 18% interest annually and due on December 31, 2020. The Company accrued interest expense of \$4,752 for this loan during the year ended December 31, 2020. The Company renewed the loan include the unpaid interest of \$4,752 by the year end December 31, 2020.

In September 2020, the Company entered into to a loan agreement with the original shareholder of Smarten for the unpaid cash consideration of \$287,280 (Chinese Yuan ¥2,000,000). Please refer to note 6 for more details.

### NOTE 13. CAPITAL MANAGEMENT

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 Smarten.

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).

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.

# HARMONY ENERGY TECHNOLOGIES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 14. 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:

	2020	2019
Cash	\$ 63,990	\$ 6,219
VAT recoverable	44,260	-
Loan to related parties	43,528	197,106
	<b>\$ 151,778</b>	<b>\$ 203,325</b>

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 to related party (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, 2020, the Company did not have sufficient cash to pay its trade payable and accrued liabilities which have contractual maturities within twelve months.

#### 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's foreign currency risk arises primarily with respect to the its loan is denominated in Chinese Yuan.

# HARMONY ENERGY TECHNOLOGIES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 15. 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.

	Minimum Royalties	
2021	\$	-
2022	\$	5,000
2023	\$	10,000
2024 and each calendar year thereafter	\$	20,000

### NOTE 16. 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:

	2020		2019		2018	
Net loss for the year	\$	(1,185,052)	\$	(159,049)	\$	-
Statutory tax rate		21.00%		21.00%		21.00%
Expected income taxes		(248,861)		(33,400)		-
Unrecognized benefit of non-capital losses		248,861		33,400		-
<b>Provision of income taxes</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>

Significant components of deferred income tax assets are as follows:

	2020		2019		2018	
Net operating losses carried forward		248,861		33,400		-
Valuation allowance		(248,861)		(33,400)		-
<b>Net deferred tax assets</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>

The Company has incurred operating losses of approximately \$650,966 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:

Year Incurred	Losses	
2019	\$	1,185,052
2020	\$	159,049
<b>Total Operating Loss Carry Forward</b>	<b>\$</b>	<b>1,344,101</b>

# HARMONY ENERGY TECHNOLOGIES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### **NOTE 17. CHANGE IN COMPARATIVE INFORMATION**

The Company's previously audited consolidated financial statements as of December 31, 2019 and for the year then ended were presented in accordance with International Financial Reporting Standards ("IFRS"). Under IFRS, the shares issued for acquisition of Smarten was valued at \$0.65 per share for a fair value of \$1,170,000. With the additional information obtained during the measurement period, along with the change in financial reporting standards to the US GAAP, the Company had revalued these shares at \$0.03 per share, decreased the fair value by \$1,116,000 to \$54,000 (Note 6).

### **NOTE 18. SUBSEQUENT EVENT**

On February 4, 2021, the Company has received \$44,005 loan repayment from Golden Share, which include the loan of \$43,028 and interest of \$977.