HARMONY ENERGY TECHNOLOGIES CORPORATION

Unaudited Interim Condensed Consolidated Financial Statements

Three-month and nine-month periods ended September 30, 2021 and 2020

(Expressed in United States dollars)

HARMONY ENERGY TECHNOLOGIES CORPORATION

FINANCIAL STATEMENTS

NOTICE TO READER

The accompanying unaudited interim condensed consolidated financial statements of Harmony Energy Technologies Corporation (the “Company”) for the period of three-month and nine-month periods ended September 30, 2021 have been prepared by, and are the responsibility of management. The unaudited condensed consolidated financial statements together with the accompanying notes, have been reviewed and approved by the members of the Company's board of directors. These unaudited interim condensed consolidated financial statements have not been reviewed by the Company's auditors.

HARMONY ENERGY TECHNOLOGIES CORPORATION

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

As of September 30, 2021

(in US Dollars)

	Note	September 30, 2021	December 31, 2020
ASSETS			
Current Assets:			
Cash		231,543	63,990
VAT recoverable		44,329	44,260
Prepaid expenses and other assets		75,736	55,317
Inventory		13,221	-
Right-of-use assets	9	-	38,660
Loan to related party	7	-	43,528
Total Current Assets		364,830	245,755
Non-Current Assets:			
Equipment	8	1,598	20,126
Total Assets		**366,428**	**265,881**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		119,817	88,771
Deferred revenue		-	2,443
Lease liabilities	9	-	39,385
Loan payable	10	542,920	362,805
Loan from related parties	12	71,751	386,384
Total Liabilities		734,487	879,788
Stockholders' Equity:			
Share capital	5	1,894	1,084
Additional paid in capital	5	1,569,906	760,916
Accumulated deficit		(1,905,944)	(1,344,101)
Accumulated other comprehensive loss		(33,916)	(31,806)
Total Stockholders' Equity		(368,060)	(613,907)
Total Liabilities and Stockholders' Equity		**366,428**	**265,881**

The accompanying notes are an integral part of the unaudited interim condenced consolidated financial statements.

Approved on behalf of the Board

"Christian Guilbaud", Director

"Kenneth Charles Grainger", Director

HARMONY ENERGY TECHNOLOGIES CORPORATION

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

For the three-month and nine-month periods ended September 30, 2021 and 2020

(in US Dollars)

		Three-month periods ended		Nine-month periods ended	
	Note	**September 30, 2021**	**September 30, 2020**	**September 30, 2021**	**September 30, 2020**
Revenue		6,652	252	6,652	47,384
Cost of goods sold		-	(192)	(5,408)	(36,260)
Gross Profit		6,652	59	1,244	11,124
Operating Expenses					
Energy license related expenditures		(210)	(3,712)	(210)	(4,435)
Research and development		(10,634)	(42,795)	(28,276)	(108,028)
Administrative expenditures	11	(81,604)	(80,598)	(214,398)	(216,075)
Stock based compensation	5	(234,000)	-	(239,000)	-
Depreciation	8	(1,421)	(4,929)	(9,747)	(14,539)
Financial expenses	10,12	(27,822)	(10,383)	(88,728)	(19,087)
Acquisition costs	6	-	-	-	(580,965)
Total Operating Expenses		(355,691)	(142,416)	(580,358)	(943,129)
Operating Income (Loss)		**(349,038)**	**(142,357)**	**(579,114)**	**(932,005)**
Other Income (Expenses)					
Interest income	7	-	5,092	512	16,938
Gain on disposal	8	16,759	-	16,759	-
Foreign exchange loss		-	(10,605)	-	(5,480)
Net of Income		**(332,279)**	**(147,870)**	**(561,843)**	**(920,547)**
Foreign currency translation differences of foreign operations		731	(16,013)	(2,110)	(16,502)
Net of Income and Other Comprehensive Loss		**(331,548)**	**(163,883)**	**(563,953)**	**(937,049)**
Basic net income per share		(0.02)	(0.03)	(0.05)	(0.16)
Weighted average number of common shares outstanding		13,556,538	5,762,079	12,529,919	5,762,079

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

HARMONY ENERGY TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

As of September 30, 2021

(in US Dollars)

	Note	Number of Common Share	Par Value	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance - January 1, 2020		**5,762,079**	**576**	**253,424**	**(159,049)**	**-**	**94,951**
Net loss		-	-	-	(920,547)	-	(920,547)
Foreign currency translation differences of foreign operations		-	-	-	-	(16,502)	(16,502)
Balance - September 30, 2020		**5,762,079**	**576**	**253,424**	**(1,079,596)**	**(16,502)**	**(842,098)**
Balance - January 1, 2021		**10,842,079**	**1,084**	**760,916**	**(1,344,101)**	**(31,806)**	**(613,907)**
Shares issued for private placement		3,581,880	358	357,830	-	-	358,188
Shares issued for debt settlement		2,126,120	213	212,399	-	-	212,612
Shares issued to Officers and Consultants as compensation		2,390,000	239	238,761	-	-	239,000
Net loss		-	-	-	(561,843)	-	(561,843)
Foreign currency translation differences of foreign operations		-	-	-	-	(2,110)	(2,110)
Balance - September 30, 2021		**18,940,079**	**1,894**	**1,569,906**	**(1,905,944)**	**(33,916)**	**(368,060)**

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

HARMONY ENERGY TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three-month and nine-month periods ended September 30, 2021 and 2020

(in US Dollars)

	Note	Three-month periods ended September 30, 2021	Three-month periods ended September 30, 2020	Nine-month periods ended September 30, 2021	Nine-month periods ended September 30, 2020
OPERATING ACTIVITIES					
Net loss		(332,280)	(147,870)	(561,843)	(920,547)
Non-cash items:					
Interest income	7	-	(5,092)	(497)	(16,847)
Stock based compensation	5	234,000	-	239,000	-
Gain on disposal	8	(16,759)	-	(16,759)	-
Depreciation	8	1,623	4,928	9,747	14,539
Interest expense		26,570	10,247	79,735	18,652
Rent expense		13,869	10,833	37,761	32,157
Acquistion Cost	6	-	-	-	580,965
Loss on foreign exchange gain and loss		732	8,749	(2,110)	5,480
Exchange differences on translation from functional to presentation currency		-	(16,013)	-	(11,910)
Change in non-cash working capital items		-	-		
Prepaid expenses and other assets		(4,658)	(3,552)	(37,279)	27,046
Accounts payable an accrued liablities		(12,002)	55,715	60,429	88,222
Deferred revenue		(7,533)	91	(2,443)	(4,104)
Cash Flow From Operating Activities		**(96,438)**	**(81,962)**	**(194,259)**	**(186,346)**
INVESTING ACTIVITIES					
Purchase of new equipments	8	(1,631)	-	(1,631)	(971)
Repayment received from other party	7	-	51,896	44,025	73,128
Proceeds from acquisition of Smarten, net of cash	6	-	-	-	1,503
Cash Flow From Investing Activities		**(1,631)**	**51,896**	**42,394**	**73,660**
FINANCING ACTIVITIES					
Proceeds from private placement	5	238,188	-	358,188	-
Proceeds received from third party loans	10	-	41,538	-	140,617
Lease payment	9	(12,840)	(11,823)	(38,486)	(32,179)
Cash Flow From Financing Activities		**225,348**	**29,715**	**319,702**	**108,438**
Effect of foreign exchange rate fluctuation on cash		(284)	89	(284)	470
Net change in cash during the period		127,279	(262)	167,837	(3,778)
Cash, beginning of period		104,548	2,704	63,990	6,219
Cash, end of period		**231,543**	**2,441**	**231,543**	**2,441**

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

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, Wilmington, Delaware, USA 19808. The Company's common shares have not listed or quoted on any market at this moment.

On January 14, 2019, the Company completed the acquisition of the energy business which was spun out from Golden Share Resources Corporation ("Golden Share"). In exchange, the Company issued 3,862,079 common shares ("Harmony Shares") to Golden Share, which was 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 September 1, 2020, the Company completed the acquisition of Shenzhen Smarten Technology Co., Ltd. ("SmartenCo").

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 of September 30, 2021, the Company has an accumulated deficit of $1,905,944 (deficit of $1,344,101 on December 31, 2020) and working capital deficit of $369,658 (deficit of $634,033 on December 31, 2020) 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 unaudited interim condensed consolidated financial statements as of September 30, 2021, 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 unaudited interim condensed 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 November 25, 2021.

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, Shenzhen Smarten Technology Co., Ltd ("SmartenCo"). SmartenCo is a company registered in China. All significant intercompany accounts and transactions have been eliminated on consolidation.

Business combinations

We account for the acquisition of SmartenCo as a business combination under the acquisition method of accounting, which that the acquired assets 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. Overpayments 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 SmartenCo 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 re-measured 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.

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 the 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 is 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 its products. 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.

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 the 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.

NOTE 3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Income taxes

Income tax expense is the total of the current year's 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.

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.

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 spun off energy storage business without processes and outputs.

Acquisition of SmartenCo

The Corporation accounted as business combinations by using acquisition method when the control was 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 that the acquisition of SmartenCo is a business acquisition. The Company obtained the control of SmartenCo on January 1, 2020 and deemed SmartenCo 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 SmartenCo

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 valuators. The determination of these fair values involves a variety of assumptions, include revenue growth rates, expected operating income, discount rates, and earnings multiples.

As of September 30, 2021 (in United States dollars)

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 would 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 fifty million (50,000,000) of common shares with a par value of $0.0001 per share.

Transactions on share capital

	Number of Shares		Unit Price	Fair Value
Outstanding as of January 1, 2020	**5,762,079**			**254,000**
Shares issued for private placement (i)	1,000,000	$	0.10	100,000
Shares issued for debt settlement (ii)	2,280,000	$	0.10	228,000
Shares issued to Officers and Consultants as compensation (iii)	1,800,000	$	0.10	180,000
Outstanding as of December 31, 2020	**10,842,079**			**$ 762,000**
Shares issued for private placement (iv)(v)(vi)	3,581,880	$	0.10	358,188
Shares issued for debt settlement (vii)	2,126,120	$	0.10	212,612
Shares issued to Officers and Consultants as compensation (viii)	2,390,000	$	0.10	239,000
Outstanding as of September 30, 2021	**18,940,079**			**$ 1,571,800**

(i) On December 28, 2020, the Company completed a private placement for a total proceeds 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.

(ii) 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.

(iii) 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.

(iv) On February 5, 2021, the Company completed a private placement with total proceeds of $20,000 and issued 200,000 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.

As of September 30, 2021 (in United States dollars)

NOTE 5. SHARE CAPITAL (CONTINUED)

(v) On July 8, 2021, the Company completed a private placement with total proceeds 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 September 27, 2021, the Company completed a private placement for total proceed of $238,188 and issued 2,381,880 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 24 months from the issuance date.

(vii) During the nine-month period ended September 30, 2021, the Company settled accounts payable with key management personnel for an aggregate amount of $58,000 by issuing 580,000 common shares at a price of $0.10 per share. And the Company settled loan payable of $154,612 (CNY¥1,000,000) by issuing 1,546,120 common shares at a price of $0.10 per share, which the loan was owed by SmartenCo.

(viii) During the nine-month period ended September 30, 2021, the Company issued 390,000 common shares to compensate certain directors and consultants at a price of $0.10 per share. At the same time, the Company issued 2,000,000 common shares at a price of $0.10 to 2 key team members as a retainer bonus.

Warrants

The following table shows the change in warrants and outstanding warrants.

	Number of Warrants	Exercise Price	Fair Value	Weighted Avererage Remaining Life (Years)	Expiry Date
Outstanding as of December 31, 2019	**100,000**	**1.00**	**35,457**	**0.29**	January 13, 2022
Issued for private placement	1,000,000	0.25	29,415	**2.24**	December 28, 2023
Outstanding as of December 31, 2020	**1,100,000**		**64,872**	**2.07**	
Issued for private placement	200,000	0.25	6,052	**2.35**	February 5, 2024
Issued for private placement	1,000,000	0.25	30,810	**2.77**	July 7, 2024
Issued for private placement	2,381,880	0.25	66,529	**1.99**	September 26, 2023
Outstanding as of September 30, 2021	**4,681,880**		**168,263**	**2.19**	

NOTE 6. ACQUISITION OF SMARTENCO

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

A fair value of the 1,800,000 shares issued on November 22, 2019 for the acquisition was determined as $54,000.

As of September 30, 2021 (in United States dollars)

NOTE 6. ACQUISITION OF SMARTENCO (CONTINUED)

On January 1, 2020, which was determined as the acquisition date, the Company obtained the control over SmartenCo and SmartenCo started operation as the wholly owned subsidiary of Harmony. The Company accounted the acquisition of SmartenCo as a business combination because SmartenCo had operational processes in place by using its assets and intellectual properties.

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

Cash	287,280	
Common shares	54,000	
Total Consideration		**341,280**
Purchase Price Allocation:		
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)
Overpayment on Acquisition		**580,965**

The overpayment of $580,965 has been recorded 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 loan agreement was extended and due on December 31, 2021.

The Company accrued interest expenses of $41,757 for the cash consideration during the nine-month period ended September 30, 2021. (2020- $4,289)

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 this loan.

During the year ended December 31, 2020, the Company renewed the loan agreement with Golden Share, and the unpaid interest of $17,106 was capitalized, therefore the total principal amount was $197,106 when renewed. The Company accrued $19,666 interest income for the loan and received $173,244 principal and interest payments during the year ended December 31, 2020. As December 31, 2020, the remaining balance was $43,528 including $500 unpaid interest.

During the nine-month ended September 30, 2021, the Company accrued $498 interest income ($16,846 in 2020) and received the outstanding principal and interest balance.

As of September 30, 2021 (in United States dollars)

NOTE 8. PROPERTY AND EQUIPMENT

COST	Computer and Office Equipment	Equipments	Total
Balance - December 31, 2020	5,308	48,886	54,194
Addition	1,631	-	1,631
Write off	(5,376)	(49,508)	(54,884)
Foreign currency translation differences	68	622	690
Balance - September 30, 2021	**1,631**	**-**	**1,631**

Accumulated Depreciation	Computer and Office Equipment	Equipments	Total
Balance - December 31, 2020	**1,791**	**32,276**	**34,067**
Amortization	669	9,078	9,747
Write off	(2,444)	(41,638)	(44,082)
Foreign currency translation differences	17	284	(690)
Balance - September 30, 2021	**33**	**-**	**33**

Net Book Value	Computer and Office Equipment	Equipments	Total
Balance - December 31, 2020	3,516	16,610	20,126
Balance - September 30, 2021	1,598	-	1,598

In connection with the acquisition of SmartenCo (Note 6), the Company acquired the equipment with a carrying value of $35,692 in 2019. During the nine-month period ended September 30, 2021, the Company recorded $9,747 (2020, $14,539) in depreciation.

During the nine-month period ended September 30, 2021, the company disposed of all acquired equipment of SmartenCo to one of the lenders for $31,024 (CNY200,000) and offset the outstanding loan payable. These sales generated a gain of disposal of $16,759.

NOTE 9. USE-OF-ASSESTS AND LEASE LIABILITIES

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. In July 2021, SmartenCo terminated the two-year office lease agreement, and entered into a 12-month office lease agreement for a new location. The Company elects not to record on the balance sheet for the operating leases with a lease term of 12 months or less and does not include a purchase option that the lease is reasonably certain to exercise.

NOTE 10. LOAN PAYABLES

The Company has entered into the following loan agreements since January 1, 2020.

a. In January 2020, SmartenCo entered into an agreement of six-month unsecured loans for $45,951 (CNY ¥300,000) and renew the loan in July 2020, January 2021 and July 2021, the loan bears interest at 18% annually. The Company paid interest expense of $6,258 (CNY40,500) for this loan during the nine-month period ended September 30, 2021, the Company paid interest expense of $5,575 (CNY39,000) at the comparable period in 2020.

b. In January 2020, SmartenCo entered into another agreement of six-month unsecured loans for $45,951 (CNY ¥300,000) and renewed the loan in July 2020, the loan bears interest at 20% annually.

c. In May 2020, SmartenCo entered into another agreement of six-month unsecured loans for $15,317 (CNY ¥100,000) and the loan bears interest at 20% annually.

d. In July 2020, SmartenCo entered into another agreement of six-month unsecured loans for $15,317 (CNY ¥100,000) and the loan bears interest at 20% annually.

e. In August 2020, SmartenCo entered into another six-month unsecured loan agreement for $15,317 (CNY ¥100,000) and the loan bears interest at 20% annually.

During the year ended December 31, 2020, the Company has accrued interest of $12,674 for the above 4 loan agreements (b, c, d, and e). On December 31, 2020, the Company entered into a new loan agreement to replace the 4 loan agreements, and total principal amount is $105,302 (CNY ¥687,486, includes the unpaid interest) and the loan bears interest at 20% annually. During the nine-month period ended September 30, 2021, the Company accrued interest expense of $16,422 (2020 - $8,352)

f. In July 2020, SmartenCo 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 paid the interest expense of $6,791 for this loan during the nine-month period ended September 30, 2021 (2020-$2,380). In July 2021, the Company disposed of the acquired equipment to the lender for $31,024 (CNY200,000). The remaining balance is 26,370 (CNY170,000) which is bearing 18% interest annual rate and due on December 21, 2021.

g. In July 2020, SmartenCo 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 expenses of $4,752 for this loan during the year ended December 31, 2020. The Company renewed the loan including the unpaid interest of $4,752 by the year end December 31, 2020. The Company has accrued interest expenses of $8,536 during the nine-month period ended September 30, 2021 (2020 –$2,345).

h. In September 2020, the Company entered into an agreement with one of former directors, who is the original shareholder of Smarten, to settle the unpaid cash consideration of $287,280 (Chinese Yuan ¥2,000,000, please refer to note 6 for more details.) as loan payable. The loan bears annual interest rate of 18%. The Company has accrued interest expenses of $41,757 for the cash consideration during the nine-month period ended September 30, 2021. (2020- $4,289).

i. In May 2021, the Company settled loan payable of $154,612 (CNY1,000,000) by issuing 1,546,120 common stocks to an arm-length party (deems the price of $0.10 per share). The loan was owed by SmartenCo.

As of September 30, 2021 (in United States dollars)

NOTE 11. ADMINISTRATIVE EXPENSES BY NATURE

	Three-month periods ended		nine-month periods ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Management fees	18,000	18,000	54,000	54,000
Professional service fees	17,001	41,758	63,662	85,758
Salaries and benefits expenses	17,676	7,962	35,318	23,604
Office rent and related expenses	21,160	4,136	43,841	33,939
Transfer agent fee	6,758	7,281	12,486	12,458
Regulatory fee	1,456	1,448	5,076	6,303
Others	(447)	13	15	13
	81,604	**80,598**	**214,398**	**216,075**

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 nine-month period ended September 30, 2021, the Company has the following related party transactions:

- A company owned by the President and CEO provides consulting and administrative services to the Company. The Company recorded $54,000 management fee for the CEO's service (2020 – $54,000). The Company issued 1,000,000 share common stock, in lieu of cash consideration at a price of $0.10 per share, for the retainer bonus of $100,000 as President and CEO of the Company.

- The Company recorded $36,000 (2020 – $36,000) professional fee to CFO for the services provided.

The Company issued 1,000,000 share common stock, in lieu of cash consideration at a price of $0.10 per share, for retainer bonus of $100,000 to a director, who is acting as the General Manager of SmartenCo. The Company also issued 290,000 shares of common stock at $0.10 per share for stock compensation of $12,000 and made a cash payment of CNY 26,000 ($4,017) for his service at SmartenCo. (2020 – Nil). And The Company issued 170,000 shares of common stock at $0.10 per share ($17,000 in total) for his service of business development prior to acting as the General Manager of SmartenCo during the nine-month period ended September 30, 2021.

During the nine-month period ended September 30, 2021, the Company settled accounts payable with CEO and CFO for an aggregate amount of $58,000 by issuing 580,000 common shares.

In July 2020, SmartenCo 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 expenses of $4,752 for this loan during the year ended December 31, 2020. The Company renewed the loan including the unpaid interest of $4,752 by the year end December 31, 2020. The Company has accrued interest expenses of $8,536 during the nine-month period ended September 30, 2021 (2020 –$2,345).

In September 2020, the Company entered into an agreement with one of former directors, who is the original shareholder of Smarten, to settle the unpaid cash consideration of $287,280 (Chinese Yuan ¥2,000,000, please refer to note 6 for more details.) as loan payable, which the loan bears annual interest rate of 18%. The Company has accrued interest expenses of $41,757 for the cash consideration during the nine-month period ended September 30, 2021. (2020- $4,289).

As of September 30, 2021 (in United States dollars)

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.

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:

As of	**September 30, 2021**	**September 30, 2020**
Cash	231,543	2,441
VAT recoverable	44,329	41,652
Prepaid expenses and other assets	88,957	54,334
Loan to related parties	-	140,825
	364,830	**239,252**

The credit risk regarding cash is considered to be negligible because the counterparty is a reputable bank with an investment grade external credit rating.

NOTE 14. FINANCIAL INSTRUMENT RISKS (CONTINUED)

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 of September 30, 2021, 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 its loan is denominated in Chinese Yuan.

NOTE 15. 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 Internarial Financial Reporting Standards ("IFRS"). Under IFRS, the 1,800,000 shares issued for acquisition of SmartenCo were 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), and the company revalued the asset value acquired from SmartenCo (Note 6).

NOTE 16. SUBSEQUENT EVENT