

# **HARMONY ENERGY TECHNOLOGIES CORPORATION**

MANAGEMENT DISCUSSION AND ANALYSIS

FOR YEAR ENDED DECEMBER 31, 2021

*This Management Discussion and Analysis is also included in the Form 10-K for the year ended December 31, 2021 filed on SEDAR on April 4, 2022 in its entirety.*

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### Market Information

Our common stock is neither traded nor quoted at any market.

#### Holders of Our Common Stock

As of March 24, 2022, there were 111 stockholders of record of our common stock. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to precisely estimate the total number of stockholders represented by these record holders, but based on input from proxy service providers we believe our common stock is held by more than 500 separate accounts.

#### Dividend Policy

We have never declared or paid cash dividends on our capital stock. We intend to retain all available funds and future earnings, if any, to fund the development and expansion of our business, and we do not anticipate declaring or paying any cash dividends in the foreseeable future. Any future determination regarding the declaration and payment of dividends, if any, will be at the discretion of our board of directors and will depend on then-existing conditions, including our financial condition, results of operations, contractual restrictions, capital requirements, business prospects, and other factors our board of directors may deem relevant.

#### Recent Sales of Unregistered Securities

From June 19, 2018 through March 24, 2022, the Company issued 19,780,079 our common stock. The transactions did not involve any underwriters, underwriting discounts or commissions, or any public offering. We believe the offers, sales, and issuances of the above securities were exempt from registration under Section 4(a)(2) of the Securities Act (or Regulation D or Regulation S promulgated thereunder) because they did not involve any public offering.

For more information, please refer to our Amendment 1 to Registration Statement on Form 10-12G/A filed on February 10, 2022.

#### ITEM 6. Reserved

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

*The following management discussion and analysis of the financial position and results of operations ("MD&A") should be read in conjunction with the audited consolidated financial statements and related notes to the financial statements included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that relate to future events or our future financial performance. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These risks and other factors include, among others, those listed under "Forward-Looking Statements" and "Risk Factors" and those included elsewhere in this report.*

## COMPANY OVERVIEW

On June 19, 2018, Harmony was incorporated in the State of Delaware, USA as a wholly owned subsidiary of Golden Share Resources Corporation (“Golden Share”). Golden Share is a Canadian publicly traded natural resource company exploring in Ontario, Canada. Since early 2016, Golden Share started to develop a business unit for energy storage, initially mainly for vanadium-based technology and later expanded into lithium ion.

On January 14, 2019, the Company was spun off from Golden Share and simultaneously completed the acquisition of the energy business unit from Golden Share

Since January 1, 2020, the Company obtained the control over Shenzhen Smarten Technology Co., Ltd. (“Smarten”) and deemed Smarten as a wholly owned subsidiary of the Company. On September 1, 2020, the Company completed the acquisition of Smarten.

## BOARD OF DIRECTORS AND MANAGEMENT

Harmony’s Board of Directors is comprised of four members: Mr. Christian Guilbaud, Mr. Kenneth Charles Grainger, Mr. Rui Zhu and Mr. Nick Zeng as the Chairman.

The management team includes Mr. Nick Zeng as President and Chief Executive Officer, Mr. Demin (Fleming) Huang as Chief Financial Officer, and Mr. Rui Zhu as the General Manager of Smarten.

## FISCAL YEAR HIGHLIGHTS

The Company finished the trial product for its first product, Power Station (“PS”). We have received all necessary independent certifications, such as RoHS, FCC, etc. and the product is met the UN38.3 standard and can be transported by sea and land or aircraft with certain limits.

The business focus at the Company is switched from Trial Production to Trial Sales.

## RESULTS OF OPERATIONS

During the year ended December 31, 2021, the Company’s selected financial information as the following. All the data is presented in United States dollars.

## FINANCIAL POSITION ANALYSIS

The information presented as of December 31, 2021 and 2020 represents the information of Harmony Energy Technologies Corporation.

	December 31, 2021	December 31, 2020	December 31, 2019
Assets	224,341	265,881	257,325
Liabilities	788,557	879,788	162,374
Equity	(564,216)	(613,907)	94,951

## ASSETS

The total assets on December 31, 2021 were \$224,341 compared to \$265,881 on December 31, 2020, a decrease of \$41,540. During the year ended December 31, 2021, the Company increased cash on hand of \$55,367 and inventory of \$13,412, which was offset by the loan repayment of \$43,528 from Golden Share and decreased right of use asset of \$38,660 and prepaid expenses of \$20,419.

During the year ended December 31, 2021, the company disposed of the acquired equipment of Smarten to one of the lenders for \$31,471 (CNY200,000) and offset the balance of the outstanding loan. This disposal generated a gain of \$16,809.

## LIABILITIES

Total liabilities on December 31, 2021 were \$788,557 while \$879,788 on December 31, 2020, the decrease of \$91,231 were mainly because the Company settled a loan payable of \$154,612 (CNY1,000,000) by issuing 1,546,120 share common stocks of the Company and decrease of \$39,385 of lease liability. The decrease was offset by the increased loan payable of \$59,793 and accounts payable and accrued liability of \$45,416.

## EQUITY

Total equity on December 31, 2021 was deficit of \$564,216 compared to deficit of \$613,907 on December 31, 2020, an increase of \$49,691. The Company raised \$358,188 through private placement at \$0.10 per unit and issued 2,306,120 shares and 3,050,000 shares for share for debt settlement and stock compensation at \$0.10 per share (please refer to note 5 of the financial statements for more details), which was offset by the increased net loss of \$839,840.

## OPERATING RESULTS ANALYSIS

Readers are invited to take into consideration of the operation results of Harmony for the year ended December 31, 2021 and 2020.

	Three-month periods ended		Twelve-month periods ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
<b>Revenue</b>	-	-	6,672	48,020
Cost of goods sold	-	-	(5,424)	(36,766)
<b>Gross Profit</b>	-	-	1,248	11,254
<b>Operating Expenses</b>				
Energy license related expenditures	-	(16)	(210)	(4,451)
Research and development	(81,962)	(12,243)	(110,238)	(114,047)
Professional and management fee	(80,502)	(17,641)	(233,482)	(185,749)
Administrative expenses	(16,718)	(14,348))	(44,700)	(69,226)
Stock based compensation	(66,000)	(180,000)	(305,000)	(180,000)
Depreciation	(31,623)	(5,087)	(41,370)	(16,209)
Financial expenses	(20,156)	(30,364)	(108,884)	(49,482)
Acquisition costs	-	(580,965)	-	(580,965)
Total Operating Expenses	(263,526)	(840,664)	(843,884)	(1,200,129)
<b>Operating Income (Loss)</b>	<b>(263,526)</b>	<b>(840,664)</b>	<b>(842,636)</b>	<b>(1,188,875)</b>
Non-operation item	(13,7412)	(10,725)	3,530	3,823
Interest income	-	2,819	512	19,666
Loss on disposal	73	(1,727)	16,832	(1,727)
Gain on lease termination	(249)	-	(249)	-
Foreign exchange loss	(13,565)	(11,817)	(13,565)	(14,116)
<b>Loss, Net of Income Tax</b>	<b>(277,267)</b>	<b>(851,389)</b>	<b>(839,106)</b>	<b>(1,185,052)</b>
Other Comprehensive loss	(2,159)	149	(4,269)	(31,806)
<b>Net Loss and Other Comprehensive Loss</b>	<b>(279,426)</b>	<b>(851,240)</b>	<b>(844,375)</b>	<b>(1,216,858)</b>
Basic net income per share	(0.01)	(0.14)	(0.06)	(0.21)

The above net loss for year ended December 31, 2021 and 2020 is composed as the following:

### *Sales revenue and gross margin*

The company has not been able to generate any meaningful sales revenue. The Company received \$6,672 revenue during the year ended December 31, 2021, while the Company received \$48,020 revenue during the comparable period in 2020. The revenue in 2020 occurred before the closing of the acquisition of Smarten and for delivery the orders committed before. The revenue in 2021 is for the sample products tested.

### *Research and development*

For the three-month and twelve-months periods ended December 31, 2021, the Company incurred R&D expenditures \$81,962 and \$110,238, respectively, including the salaries of researchers and materials, while the Company spent \$12,243 and \$114,047 during the comparable period during the year ended December 31, 2020.

### *Administrative expenses, professional and management fee*

Comparing the two comparable periods of the year ended December 31, 2021 and 2020, the Company increased administrative expenses of \$59,053, which major caused from increased legal fee, office rental and salary expenditure. The detailed administrative expenses were presented in the following table.

	Three-month periods ended		Twelve-month periods ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Management fees	18,000	18,000	72,000	72,000
Professional service fees	40,679	(8,894)	104,341	81,610
Salaries and benefits expenses	21,823	8,535	57,141	32,139
Office rent and related expenses	6,699	11,574	60,302	47,691
Transfer agent fee	2,451	2,475	14,937	14,933
Regulatory fee	5,755	299	10,831	6,602
	<b>95,407</b>	<b>31,989</b>	<b>319,552</b>	<b>254,975</b>

### *Stock based compensation*

During the year ended December 31, 2021, the Company issued 2,000,000 share common stock, in lieu of cash consideration at a price of \$0.10 per share, for retainer bonus of \$200,000 to the CEO, and a director who works as General Manager of Smarten. The Company issued 1,050,000 shares of common stock at \$0.10 per share for stock compensation of \$105,000 to directors of board, management team and consultants.

### *Financial expenses*

During the year ended December 31, 2021, the Company accrued \$108,884 for the 5 unsecured loan agreements with accumulate principal of \$538,859; The Company accrued \$49,482 interest expense for the 6 unsecured loans with accumulate principal of \$561,291 during the year ended December 31, 2020.

### **Acquisition costs**

On November 6, 2019, the Company entered into an agreement to acquire 100% ownership of Smarten. According to the agreement, the Company issued 1,800,000 common shares and paid Chinese Yuan ¥2,000,000 (US\$287,280).

On January 1, 2020, the Company obtained control over Smarten and Smarten started to operate as the wholly owned subsidiary since then. On September 1, 2020, the Company completed the acquisition. The difference between the payment and the purchase price allocation was recorded as acquisition costs. Please refer to the note 6 of the financial statement for details.

### **Non-operation item**

During the year ended December 31, 2021, the Company renewed the short-term unsecured loans agreement with Golden Share and totaling principal of US\$43,527, the unsecured loans bear interest at 1% monthly. The Company has received a full payment of \$44,025 in February 2021. During the year ended December 31, 2021, the Company accrued interest income of \$498 (2020 - \$19,666) for loan.

During the year ended December 31, 2021, the company disposed of the acquired equipment of SmartenCo to one of the lenders for \$31,471 (CNY200,000) and offset the balance of the outstanding loan. This disposal generated a gain of \$16,809.

### **Other comprehensive income (loss)**

The other comprehensive income (loss) records the unrealized foreign exchange gain (loss) resulted from translating Smarten's financial data into US dollars. During the year ended December 31, 2021, the Company recorded \$4,269 foreign exchange loss due to the unfavorable shift in foreign exchange rate.

### **CASH FLOW ANALYSIS**

	December 31, 2021 (3 months)	December 31, 2020 (3 months)	December 31, 2021 (12 months)	December 31, 2020 (12 months)
Operating activities	(100,470)	(12,762)	(294,729)	(199,107)
Investing activities	(649)	100,036	41,745	173,696
Financing activities	35,233	(2,931)	319,935	105,507

### **Operating Activities**

During the three months and twelve months period ended December 31, 2021, the operating activities used cash flows of \$100,470 and 294,729, respectively, compared to \$12,762 and \$199,107 for the comparable periods in 2020. The cash was spent for the general operation activities and R&D.

### **Investing Activities**

During the twelve-month period ended December 31, 2021, the Company received full loan payment as \$44,026 and purchased new equipment of \$2,281, while the Company received partial loan repayment as \$173,244, including \$1,503 cash from Smarten in comparable period in 2020, while the Company purchased new equipment of \$1,051.

### **Financing Activities**

During the twelve-month period ended December 31, 2021, the Company received \$358,188 cash from private placement at \$0.10 per unit, and received new loan of \$23,603, which was offset by the loan payment of \$26,750 and lease payment of \$35,106, while the Company received \$248,851 loan from the creditors, \$100,000 from private placement during the comparable period in 2020, which the cash inflow was offset by the office lease of \$42,767 and loan pay back of \$100,577.

#### QUARTERLY RESULTS TREND (IN THOUSANDS OF \$)

The following table presented the operating results for each of the last eight quarters. Management considers that the information for each of those quarters was determined in the same way as for our audited financial statements for the year ended December 31, 2021.

	2021				2020			
	Q4 \$	Q3 \$	Q2 \$	Q1 \$	Q4 \$	Q3 \$	Q2 \$	Q1 \$
Revenue	-	7	-	-	-	-	40	7
Net loss and other comprehensive loss	(278)	(332)	(110)	(122)	(279)	(164)	(114)	(659)
Basic and diluted net loss per common share	(0.01)	(0.02)	(0.01)	(0.01)	(0.05)	(0.03)	(0.02)	(0.11)

#### LIQUIDITY, CAPITAL RESOURCES AND SOURCES OF FINANCING

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

As of December 31, 2021, the Company had a cash position of \$119,357 and the Company has a deficit working capital of \$566,347. The Company believes it will not have sufficient liquidity to fund its operations and capital needs for the next 12 months and consequently intends to raise capital to generate cash in sufficient amounts to meet its planned business objectives, while the Company does not have any commitments.

#### INFORMATION ON OUTSTANDING SECURITIES

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

Common shares issued and outstanding	19,780,079
Potential issuance of common shares	
Warrants	4,681,880
Stock options	-
<b>Fully diluted shares</b>	<b>24,461,959</b>

#### RELATED PARTY TRANSACTIONS

The Company has not entered into any other related party transaction except the disclosure in Note 12 of the audited consolidated financial statements for the year ended December 31, 2021.

#### OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

#### ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The Company prepares its financial statements in accordance with US GAAP, which require management to make estimates and assumptions that affect the amounts of its assets and liabilities, the information provided with regard to future assets and liabilities as well as the amounts of revenues and expenses for the relevant periods. Readers are invited to refer to the Note 4 of the financial statements for the year ended December 31, 2021 for details.

#### **FUTURE CHANGES IN ACCOUNTING POLICIES**

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

Management anticipates that all the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Readers are invited to refer to the financial statements for the year ended December 31, 2021 for a full description of these new standards.

#### **GOING CONCERN ASSUMPTION**

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

#### **RISKS RELATED TO FINANCIAL INSTRUMENTS**

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

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

All filings we make with the Securities and Exchange Commission ("SEC"), Additional information on the Company can be found on EDGAR of the Securities and Exchange Commission ([www.sec.gov/edgar.shtml](http://www.sec.gov/edgar.shtml)).

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

##### **Interest Rate and Foreign Currency Risk**

###### **Interest Rate Risk**

The Company's exposure to changes in interest rates relates primarily to the Company's cash, cash equivalents and outstanding debts. Due to the size of the Company, we ignore the interest rate fluctuations.

The Company is a startup focusing on growth, without any meaningful sales revenue generated. The continue operation will depend on the equity financing, the increase of market interest rate could damp the interests from the potential investors to the Company.

###### **Foreign Currency Risk**

The Company's products are outsourcing to the manufacturing partners located in Asia. The primary market is the US. Accordingly, changes in exchange rates, and in particular a weakening of the U.S. dollar, will negatively affect the Company's net sales and gross margins as expressed in U.S. dollars.

The Company is in early stage, we select to ignore the foreign currency exchange rate fluctuations.