

# **Harmony Acquisition Corp.**

## **Financial Statements**

**For the three and six months ended December  
31, 2021**

**(In Canadian Dollars)**

### **Notice of No Auditor Review of the Interim Financial Statements**

The accompanying unaudited condensed interim financial statements of Harmony Acquisition Corp. (the "Corporation") have been prepared by and are the responsibility of the Corporation's management. The Corporation's independent auditor has not performed a review of these financial statements in accordance with standards established by the CPA Canada for a review of interim financial statements by an entity's auditor.

**Harmony Acquisitions Corp.**  
**Unaudited Condensed Interim Statements of Financial Position**  
**As at December 31, 2021**  
(in Canadian Dollars)

	<b>December 31, 2021</b>	June 30, 2021
<b>Assets</b>		
Cash held in trust	\$ 322,260	209,739
	<b>\$ 322,260</b>	<b>209,739</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 51,185	22,000
<b>Shareholders' Equity</b>		
Share capital, net of issuance costs (Note 3)	335,478	210,001
Contributed surplus	65,502	-
Retained deficit	(129,905)	(22,262)
	<b>271,075</b>	<b>187,739</b>
	<b>\$ 322,260</b>	<b>209,739</b>

Approved by the Board \_\_\_\_\_  
Director **(Signed)**

\_\_\_\_\_  
Director **(Signed)**

*The accompanying notes are an integral part of these unaudited condensed interim financial statements.*

**Harmony Acquisitions Corp.**  
**Unaudited Condensed Interim Statements of Loss and Comprehensive Loss**  
**For the three months and six months ended December 31, 2021**  
(in Canadian Dollars)

	<b>Three- month period ended December 31, 2021</b>	<b>Six-month the period ended December 31, 2021</b>
<b>Expenses</b>		
Accounting expense	\$ 9,150	9,150
Legal expense	29,813	31,550
Regulatory and filing	11,887	11,887
Stock based compensation	55,056	55,056
Net loss and comprehensive loss	<b>\$ (105,906)</b>	<b>\$ (107,643)</b>
Net loss per share (basic and diluted)	<b>\$ (0.02)</b>	<b>\$ (0.03)</b>
Weighted average number of shares outstanding (basic and diluted)	<b>6,201,300</b>	<b>3,941,147</b>

*The accompanying notes are an integral part of these unaudited condensed interim financial statements.*

**Harmony Acquisitions Corp.**  
**Unaudited Condensed Interim Statements of Changes in Cash Flows**  
**For the period from the date of incorporation (May 7, 2021) to December 31, 2021**  
(in Canadian Dollars)

	Dec 31, 2021
Cash used from operations	
Net loss for the period	\$ (107,643)
Stock-based compensation	55,056
Changes in working capital	
Accounts payable and accrued liabilities	\$ 29,185
<b>Net cash used from operations</b>	<b>\$ (23,402)</b>
Cash generated from financing	
Share issuance	\$ 200,130
Share issuance costs	\$ (64,207)
<b>Net cash generated from financing</b>	<b>\$ 135,923</b>
Net change in cash	112,521
Cash, beginning	\$ 209,739
<b>Cash, ending</b>	<b>\$ 322,260</b>
Cash comprises:	
Cash held in trust	\$ 322,260
Undeposited funds	\$ -
<b>Total Cash</b>	<b>\$ 322,260</b>

**Harmony Acquisitions Corp.**  
**Unaudited Condensed Interim Statements of Changes in Shareholders' Equity**  
**For the six months ended December 31, 2021**  
(in Canadian Dollars, except share information)

	Notes	Number of Common Shares	Share capital	Contributed Surplus	Retained Deficit	Total
<b>Balance, May 7, 2021, (incorporation)</b>		-	\$ -	\$ -	\$ -	\$ -
<b>Share issued upon incorporation</b>		1	1	-	-	\$ 1
Seed Financing	3	4,200,000	210,000	-	-	210,000
Loss for the period		-	-	-	(22,262)	(22,262)
<b>Balance, June 30, 2021</b>		<b>4,200,001</b>	<b>210,001</b>	<b>-</b>	<b>(22,262)</b>	<b>187,739</b>
Initial Public Offering	3	2,001,300	200,130	-	-	200,130
Share issuance costs		-	(74,653)	10,446	-	(64,207)
Share based payments	4	-	-	55,056	-	55,056
Loss for the period		-	-	-	(107,643)	(107,643)
<b>Balance, December 31, 2021</b>		<b>6,201,301</b>	<b>\$335,478</b>	<b>\$65,202</b>	<b>(\$129,905)</b>	<b>\$271,075</b>

*The accompanying notes are an integral part of these unaudited condensed interim financial statements.*

## **1. INCORPORATION AND NATURE OF BUSINESS**

Harmony Acquisitions Corp. (the “Company”) was incorporated on May 7, 2021, under the Business Corporations Act (British Columbia) with registered offices at Suite 2300, Bentall 5, 550 Burrard Street, Vancouver, British Columbia, V6C 2B5. The Company intends to carry on business as a Capital Pool Corporation, as defined in Policy 2.4 of the TSX Venture Exchange (the “Exchange”).

The principal business of the Company is the identification and evaluation of assets or businesses with a view of completing a Qualifying Transaction (“QT”). The Company has not commenced commercial operations and has no assets other than cash. The Company’s continuing operations are dependent upon its ability to identify, evaluate, and negotiate an acquisition, or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arms’ length transaction, of the majority of the disinterested shareholders.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The impact on the Company is not currently determinable, but management continues to monitor the situation.

The outbreak of the novel strain of the coronavirus, specifically identified as the COVID-19 pandemic, has caused governments worldwide to enact emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. At this time, it is not possible to reliably estimate the impact this will have on the Company’s financial position and operating results. Judgments, estimates and assumptions made by management during the preparation of these interim consolidated financial statements may also change as conditions related to the COVID-19 change. Changes in assumptions including, but not limited to, foreign exchange rates, interest rates and commodity prices could impact the fair value of items including derivative and non-derivative instruments, provisions and employee future benefits.

On February 28, 2022, the Board of Directors approved of these financial statements.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of Compliance**

These unaudited interim condensed financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These unaudited condensed interim financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets, and financial liabilities. These unaudited condensed interim financial statements are presented in Canadian dollars, which is the corporation’s functional and presentation currency.

**Harmony Acquisitions Corp.**  
**Notes to the Financial Statements**  
**For the three months and six months ended December 31, 2021**  
(in Canadian Dollars)

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

The accounting policies applied by the Corporation in these Unaudited Condensed Interim Financial Statements are the same as those applied by the Corporation in the audited financial statements for the period ended June 30, 2021.

**3. SHARE CAPITAL**

**Authorized** - Unlimited common shares

<b>Issued</b>	<b>#</b>	<b>\$</b>
Balance, May 7, 2021	1	\$ 1
Seed Financing	4,200,000	210,000
IPO shares issued	2,001,300	200,130
Issuance cost (cash)	-	(64,207)
Issuance cost (warrants)	-	(10,446)
<b>Balance, December 31, 2021</b>	<b>6,201,301</b>	<b>\$ 335,478</b>

The Company is authorized to issue an unlimited number of preferred shares and since inception has issued nil preferred shares.

During the period from May 18, 2021, to June 14, 2021, the Company issued 4,200,000 common shares for proceeds of \$210,000. Of the 4,200,000 shares issued, 2,000,000 were issued to directors and officers of the Company.

The issued and outstanding common shares of 4,200,001 will be held in escrow pursuant to the requirements of the Exchange to be released as to 25% thereof on completion of the Company's Qualifying Transaction, as defined in the policies of the Exchange, and as to 25% thereof on each of the 6<sup>th</sup>, 12<sup>th</sup>, and 18<sup>th</sup> month anniversaries following the initial release.

On December 21, 2021, the Company successfully completed its initial public offering ("Offering"), raising gross proceeds of \$200,130 pursuant to a prospectus dated November 12, 2021. An aggregate of 2,001,300 common shares in the capital of the Company (the "Shares") were subscribed for at a price of \$0.10 per Common Share. The Corporation paid a commission of 10% of the gross proceeds to Gravitas Securities Inc. (the "Agent") and granted Agent warrants to acquire 10% of the common shares exercisable at \$0.10 per share. The Corporation also paid a corporate finance fee and reimbursed other reasonable expenses incurred pursuant to the offering. Cash issuance costs of \$74,653 were associated with these issuances and the value attributed to warrants granted to the Agent is \$10,446.

**Harmony Acquisitions Corp.**  
**Notes to the Financial Statements**  
**For the three months and six months ended December 31, 2021**  
(in Canadian Dollars)

**3. SHARE CAPITAL (continued)**

**Options**

Options may be granted for a maximum term of ten years from the date of the grant. They are non-transferable and are exercisable as determined by the Directors when the option is granted. Options expire within 90 days of termination of employment or holding office as director or officer of the Corporation and, in the case of death, expire within a maximum period of one year after such death, subject to the expiry date of the option.

Upon closing of the Offering, Harmony granted 620,000 stock options to its directors and officers, which are exercisable within ten years from the date of the grant at an exercise price of \$0.10 per Share.

	Number of Stock Options and Warrants	Weighted Average Exercise Price (\$)
Balance, May 7, 2021	-	-
Granted (i)	200,130	\$0.10
Granted to directors and officers (ii)	620,000	\$0.10
<b>Balance, December 31, 2021</b>	<b>820,130</b>	<b>\$0.10</b>

i. On December 21, 2021, the Corporation granted 200,130 warrants to the Agent (and other members of the syndicate), which are exercisable within two years from the closing of the IPO at an exercise price of \$0.10 per share. These warrants were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, discount rate 0.28%, expected volatility of 100% and an expected life of two years. The value attributed to these warrants was \$10,446.

ii. On December 21, 2021, the Corporation granted 620,000 options to its directors and officers, which are exercisable within ten years from the date of grant at an exercise price of \$0.10 per share. These options were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, discount rate 0.28%, expected volatility of 100% and an expected life of ten years. The value attributed to these options was \$55,056.

The following table reflects the actual stock options and warrants issued and outstanding as of December 31, 2021:

Expiry Date	Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number of Stock Options and Warrants Outstanding	Number of Stock Options and Warrants Vested (Exercisable)
December 21, 2023	\$0.10	1.97	200,130	200,130
December 21, 2031	\$0.10	9.98	620,000	620,000
	\$0.10	8.02	820,130	820,130

#### **4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

##### **Capital Management**

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Corporation includes equity, comprised of share capital, shares to be issued and deficit, in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to \$3,000 per month may be used for reasonable general and administrative expenses of the Corporation. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the Exchange Policy 2.4.

##### **Risk Disclosures and Fair Values**

The Corporation's financial instruments, consisting of cash held in trust and accrued liabilities approximate fair value due to the relatively short-term maturity of the instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

#### **5. RELATED PARTY TRANSACTIONS**

There was no remuneration paid to key management personnel and no other related party transactions during the three-and-six months ended December 31, 2021.