Harmony Acquisitions Corp.

Unaudited Condensed Interim Financial Statements

For the three and six months ended December 31, 2022, and 2021

(In Canadian Dollars)

Notice of No Auditor Review of the Interim Financial Statements

The accompanying unaudited condensed interim financial statements of Harmony Acquisitions 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, 2022 and June 30, 2022
(in Canadian Dollars)

		December 31, 2022	June 30, 2022
Assets			
Cash held in trust	**$**	**201,752**	243,964
	$	**201,752**	243,964
Liabilities			
Accounts payable and accrued liabilities	**$**	**4,094**	26,064
Shareholders' Equity			
Share capital, net of issuance costs (Note 3)		**325,031**	325,031
Options reserve (note 3)		**55,056**	55,056
Warrants reserve (note 3)		**10,446**	10,446
Accumulated deficit		**(192,875)**	(172,633)
		197,658	217,900
	$	**201,752**	243,964

Approved by the Board "Raymond Harari" Director **(Signed)** "Mark Goldhar" 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-and-six-month period ended December 31, 2022 and 2021
(in Canadian Dollars)

		Three-month period ended December 31, 2022		Three-month period ended December 31, 2021		Six-month period ended December 31, 2022		Six-month period ended December 31, 2021
Expenses								
Professional fees	**$**	**16,970**	$	38,963	**$**	**18,348**	$	40,700
Regulatory and filing fees		**1,048**		11,887		**1,048**		11,887
Share-based compensation		**-**		55,056		**-**		55,056
Office and sundry		**472**		-		**846**		-
Net loss and comprehensive loss	**$**	**(18,490)**	$	(105,906)	**$**	**(20,242)**	$	(107,643)
Net loss per share (basic and diluted)	**$**	**(0.00)**	$	(0.02)	**$**	**(0.00)**	$	(0.03)
Weighted average number of shares outstanding (basic and diluted)		**6,201,300**		6,201,300		**5,304,826**		3,941,147

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Harmony Acquisitions Corp.
Unaudited Condensed Interim Statements of Loss and Comprehensive Loss
For the three-and-six-month period ended December 31, 2022 and 2021
(in Canadian Dollars)

		December 31, 2022		**December 31, 2021**
Cash used from operations				
Net loss for the period	$	(20,242)	$	(107,643)
Share-based compensation				55,056
Changes in working capital				
Accounts payable and accrued liabilities	$	(21,970)	$	29,185
Net cash used from operations		**(42,212)**	**$**	**(23,402)**
Cash generated from financing				
Share issuance	$	-	$	200,130
Share issuance costs	$	-	$	(64,207)
Net cash generated from financing				135,923
Net change in cash		(42,212)		112,521
Cash, beginning	$	243,964	$	209,738
Cash, ending	$	201,752	**$**	322,260

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

Harmony Acquisitions Corp.
Unaudited Condensed Interim Statements of Changes in Shareholders' Equity
For the six-month period ended December 31, 2022 and 2021
(in Canadian Dollars, except share information)

	Number of Shares		Share capital	Contributed Surplus		Accumulated Deficit		Total
Balance, June 30, 2021	4,200,001	$	210,001	-	$	$ (22,262)	$	187,739
Shares issued for cash	2,001,300		200,130	-		-		200,130
Share issuance costs	-		(74,653)	10,446		-		(64,207)
Share-based payments	-		-	55,056		-		55,056
Net loss for the period	-		-	-		(107,643)		(107,643)
Balance, December 31, 2021	**6,201,301**	**$**	**335,478**	**$ 65,202**	**$**	**$ (129,905)**	**$**	**271,075**

	Number of Shares		Share capital	Options reserve		Warrants reserve		Accumulated Deficit		Total
Balance, June 30, 2022	6,201,301	$	325,031	55,056	$	10,446	$	(172,633)	$	217,900
Net loss for the period	-			-		-		(20,242)		(20,242)
Balance, December 31, 2022	**6,201,301**	**$**	**325,031**	**55,056**	**$**	**10,446**		**$ (192,875)**	**$**	**197,658**

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.

The global outbreak of COVID-19 (coronavirus) has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial, and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

In late February 2022, a conflict commenced in Ukraine. In response, various countries, including Canada, issued broad-ranging economic sanctions against Russia. The ramifications of the sanctions may not be limited to Russia and Ukraine and may spill over to and negatively impact other regional and global economic markets, sectors, industries and markets for securities and commodities globally. The current circumstances are dynamic and the duration of the conflict and related impact of imposed sanctions on the business cannot be reasonably estimated at this time. While the Corporation expects any direct impacts of the conflict in Ukraine to the business to be limited, the direct impacts on the economy may negatively affect the business and future operations.

Going concern

These financial statements have been prepared on the basis that the Company will continue as a going concern. The Company has no current operations. The proposed business of the Company and the completion of a QT involves a high degree of risk and there is no assurance that the Company will identify an appropriate business for acquisition or investment, and even if so identified and warranted, it may not be able to finance such an acquisition or investment within the requisite time period. Additional funds will be required to enable the Company to pursue such an initiative and the Company may be unable to obtain such financing on terms which are satisfactory to it. Furthermore, as at December 31, 2022 the Company had incurred a net loss of $20,242 (2021 –$107,643) and has an accumulated deficit of $192,875 (2021 - $129,905). These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern, and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business.

On February 1, 2023, the Board of Directors approved these unaudited interim condensed 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.

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, 2022.

Basis of Presentation

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.

Financial Instruments

Recognition

The Corporation recognizes financial assets and financial liabilities on the date of the Corporation becomes a party to the contractual provisions to the instruments.

Classification

The Corporation classifies its financial assets and financial liabilities in the following measurement categories: i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss, and ii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Corporation reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Corporation has implemented the following classifications:

Cash held in trust is classified as assets at fair value and any period change in fair value is recorded in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Accounts payable and accrued liabilities are classified as other financial liabilities and measured at amortized cost using the effective interest rate method.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss (FVTPL) are expensed in profit or loss.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments or principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition).

Additional fair value measurement disclosure includes classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements which are as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts. Cash held in trust is a level 1 financial instrument measured at fair value on the statement of financial position.

Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Corporation intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent that future recovery is probably. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probably that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Estimates

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

The preparation of consolidated financial statements in conformity with IFRS accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates used in the consolidated financial statements.

Warrants

The Company follows the relative fair value method with respect to the measurement of common shares and warrants issued as units. The proceeds from the issuance of units are allocated between share capital and warrants. The warrant component is recorded in warrant reserve. Unit proceeds are allocated to common shares and warrants using the Black-Scholes option pricing model and the share price at the time of financing. If and when the warrants are exercised, consideration paid by the warrant holder, together with the amount previously recognized in warrant reserve, is recorded as an increase to share capital. For any warrants that do not vest upon issuance, a forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of warrants that vest. Upon expiration of warrants, the amount applicable to expired warrants is moved to contributed surplus.

Share-based compensation

Equity-settled share-based payments for directors, officers, employees, and consultants are measured at fair value at the date of grant and recorded as compensation expense in the financial statements. Share options are measured at the fair value of each tranche on the grant date and are recognized in their respective vesting period using the Corporation's expected forfeiture rate. Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share-based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

(in Canadian Dollars)

3. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares.

On May 7, 2021, the Company issued 1 common share on incorporation for $1.00.

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 amount issued, 2,000,000 were granted to directors and officers of the Company.

On December 21, 2021, the Company completed its initial public offering (the "Offering"), raising gross proceeds of $200,130 pursuant to a prospectus dated November 12, 2021. An aggregate of 2,001,300 common shares were issued at a price of $0.10 per share. In connection with the Offering, the Company paid aggregate brokers fees' of $74,654 and issued brokers an aggregate of 20,013 share purchase warrants. Each broker's warrant entitles the holder to acquire one common share for $0.10 until December 31, 2023. The Company estimated the aggregate fair value of the brokers' warrants using the Black-Scholes option pricing model to be $10,446 with the following assumptions:

Risk-free rate	0.28%
Expected annual volatility, based on comparable companies	100%
Expected life (in years)	2
Expected dividend yield	0.00%
Share price	$ 0.10
Exercise price	$ 0.10

As at December 31, 2022, the Company had 3,800,000 (December 31, 2021 – 4,200,000) common shares held in escrow.

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	Weighted Average Exercise Price ($)
Balance, May 7, 2021	-	-
Granted to directors and officers (i)	620,000	$0.10
Balance, December 31, 2022	**620,000**	**$0.10**

(in Canadian Dollars)

3. SHARE CAPITAL (continued)

i. 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, 2022:

Expiry Date	Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number of Stock Options Outstanding	Number of Stock Options Vested (Exercisable)
December 21, 2031	$0.10	8.98	620,000	620,000
	$0.10	8.98	620,000	620,000

The Company recognized share-based payment expense related to the issuance of options for the three-month period ended December 31, 2022, of $nil (2021 - $55,056).

Warrants

The continuity of the outstanding warrants is as follows:

	Number of warrants	Weighted Average Exercise Price ($)
Balance, May 7, 2021	-	-
Granted (ii)	200,130	$0.10
Balance, December 31, 2022	**200,130**	**$0.10**

The following summarizes information about warrants outstanding as at December 301, 2022:

Expiry Date	Exercise Price	Weighted Average Remaining Contractual Life (Years)	Estimated grant date fair value	Number of Warrants Outstanding	Number of Warrants Vested (Exercisable)
December 21, 2031	$0.10	0.98	$10,446	200,130	200,130
	$0.10	0.98	$10,446	200,130	200,130

(ii) 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.

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

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. For the six months ended December 31, 2022 there were no fees paid to key management of the Company(December 31, 2021 - $4,742).

6. MANAGEMENT OF CAPITAL

Management’s objective is to manage its capital to ensure that there are adequate capital resources to safeguard the Company’s ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of share capital and working capital.

In order to achieve this objective, management makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust capital structure, management may invest its excess cash in interest bearing accounts of Canadian chartered banks and/or raise additional funds externally as needed. The Company is not subject to externally imposed capital requirements. The Company’s management of capital did not change during the three and six months ended December 31, 2022.

7. FINANCIAL RISK MANAGMENT

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash, receivables, accounts payable and accrued liabilities and promissory notes payable as amortized cost. The carrying values of these instruments approximate their fair values due to their short term to maturity.

The Company has exposure to the following risks from its use of financial instruments:

Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing it at major Canadian financial institutions. The Company has minimal credit risk.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of December 31, 2022, equal $4,094 (December 31, 2021 - $51,185). All of the liabilities presented as accounts payable and accrued liabilities are due within 30 days of December 31, 2022.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return on capital.

Currency risk
Currency risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company does not hold substantial funds in a foreign currency and is not subject to significant currency risk.

Interest rate risk
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash is at nominal interest rates, and therefore, the Company does not consider interest rate risk to be significant. The Company has no interest-bearing financial liabilities.

Other price risk
Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not exposed to significant other price risk.