

**Prime Blockchain Inc.**

(formerly Investissements TSPL Inc.)

Condensed Interim Financial Statements  
As at May 31, 2018 and 2017

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDING ON May 31, 2018**

Declaration regarding the consolidated quarterly financial statements.

The Corporation's management has prepared the attached unaudited condensed interim financial statements of Prime Blockchain Inc., including the quarterly financial situation of the Corporation as of May 31, 2018 and August 31, 2017, the statements of net and total results, the cash flow and variations in shareholders' equity for the six months period ending on May 31, 2018 and 2017. No auditor has examined or audited these consolidated quarterly statements.

## Prime Blockchain Inc.

### CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited, in Canadian dollar)

|                                      | Note | Three months ended<br>May 31,<br>2018 | May 31,<br>2017 | Nine months ended<br>2018 | May 31,<br>2017 |
|--------------------------------------|------|---------------------------------------|-----------------|---------------------------|-----------------|
| <b>Revenues</b>                      |      | <b>45 520</b>                         | -               | <b>45 520</b>             | -               |
| <b>Expenses</b>                      |      |                                       |                 |                           |                 |
| Office expenses                      |      | 17 312                                | -               | 30 722                    | 388             |
| Commission on investment acquisition |      | 105 000                               | -               | 105 000                   | -               |
| Development expenses                 |      | 38 264                                | -               | 38 264                    | -               |
| Travel expenses                      |      | 13 954                                | -               | 63 332                    | -               |
| Consulting fees                      |      | 99 108                                | -               | 230 770                   | -               |
| Rent                                 |      | -                                     | -               | 6 000                     | -               |
| Interests on notes payables          |      | 202                                   | 14,795          | 1 150                     | 36,650          |
| Others financial fees                |      | -                                     | 131             | -                         | 843             |
| Professional fees                    |      | 1 814                                 | 30,063          | 31 154                    | 87,712          |
| Issuer expenses                      |      | 6 466                                 | -               | 24 058                    | -               |
| Interest & Penalty                   |      | -                                     | 62,391          | -                         | 62,704          |
| Depreciation                         |      | (615)                                 | -               | -                         | -               |
| Stock-based compensation             |      | 109 200                               | -               | 109 200                   | -               |
| <b>Total operating expenses</b>      |      | <b>390 705</b>                        | 107,380         | <b>639 650</b>            | 188,297         |
| <b>Net loss</b>                      |      | <b>(345 185)</b>                      | (107,380)       | <b>(594 130)</b>          | (188,297)       |
| Gain on write-off on notes payables  |      | -                                     | 18,829          | -                         | 18,829          |
| Net loss                             |      | <b>(345 185)</b>                      | (88,551)        | <b>(594 130)</b>          | (169,468)       |
| Loss per share:                      | 10   |                                       |                 |                           |                 |
| Basic                                |      | <b>(\$0.013)</b>                      | (\$0,119)       | <b>(\$0,022)</b>          | (\$0,227)       |
| Fully diluted                        |      | <b>(\$0.013)</b>                      | (\$0,119)       | <b>(\$0,022)</b>          | (\$0,227)       |

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

# Prime Blockchain Inc.

## CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Unaudited, in Canadian dollar)

|  | Number            |                    |                   | Amount               |                   |                   |                     |                        |                     |
|--|-------------------|--------------------|-------------------|----------------------|-------------------|-------------------|---------------------|------------------------|---------------------|
|  | Common shares     | Warrants / Options | Total             | Share capital        | Warrants          | Options           | Contributed surplus | Déficit                | Total               |
| Balance as at August 31, 2016 *                        | 746 565           | 23 750             | 770 315           | 10 271 692 \$        | - \$              | - \$              | 659 442 \$          | (11 458 944) \$        | (527 810) \$        |
| Options expired  | -                 | (23 750)           | (23 750)          | - \$                 | - \$              | - \$              | - \$                | - \$                   | - \$                |
| Net loss   | -                 | -                  | -                 | - \$                 | - \$              | - \$              | - \$                | (169 468) \$           | (169 468) \$        |
| Balance as at May 31, 2017                             | <b>746 565</b>    | <b>-</b>           | <b>746 565</b>    | <b>10 271 692 \$</b> | <b>- \$</b>       | <b>- \$</b>       | <b>659 442 \$</b>   | <b>(11 628 412) \$</b> | <b>(697 278) \$</b> |
| Balance as at August 31, 2017                          | <b>746 565</b>    | <b>-</b>           | <b>746 565</b>    | <b>10 271 692 \$</b> | <b>- \$</b>       | <b>- \$</b>       | <b>659 442 \$</b>   | <b>(11 689 754) \$</b> | <b>(758 620) \$</b> |
| Shares issued pursuant to private placement            | 3 657 820         | 3 657 820          | 7 315 640         | 268 956 \$           | 96 826 \$         | - \$              | - \$                | - \$                   | 365 782 \$          |
| Shares issued pursuant to conversion of payables       | 756 656           | -                  | 756 656           | 75 666 \$            | - \$              | - \$              | - \$                | - \$                   | 75 666 \$           |
| Shares issued pursuant to conversion of Notes Payables | 6 422 817         | 6 422 817          | 12 845 634        | 472 265 \$           | 170 016 \$        | - \$              | - \$                | - \$                   | 642 281 \$          |
| Investment   | 15 000 000        | -                  | 15 000 000        | 1 500 000 \$         | - \$              | - \$              | - \$                | - \$                   | 1 500 000 \$        |
| Commission   | 1 050 000         | -                  | 1 050 000         | 105 000 \$           | - \$              | - \$              | - \$                | - \$                   | 105 000 \$          |
| Options issued   | -                 | 1 200 000          | 1 200 000         | - \$                 | - \$              | 109 200 \$        | - \$                | - \$                   | 109 200 \$          |
| Net loss   | -                 | -                  | -                 | - \$                 | - \$              | - \$              | - \$                | (594 130) \$           | (594 130) \$        |
| Balance as at May 31, 2018                             | <b>27 633 858</b> | <b>11 280 637</b>  | <b>38 914 495</b> | <b>12 693 579 \$</b> | <b>266 842 \$</b> | <b>109 200 \$</b> | <b>659 442 \$</b>   | <b>(12 283 884) \$</b> | <b>1 445 179 \$</b> |

\* On February 19, 2018, the company proceeded to the consolidation of its share capital by 20 share for one. The Condensed Interim Statement of Changes in Equity reflects this change as of August 31, 2016.

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

# Prime Blockchain Inc.

## CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION (Unaudited, in Canadian dollar)

|   | May 31,<br>2018     | August 31,<br>2017 |
|---|---------------------|--------------------|
| <b>ASSETS</b>   |                     |                    |
| <b>CURRENT ASSETS</b>                                       |                     |                    |
| Cash  | \$ 62 441           | \$ 9 087           |
| Goods and services tax receivable                           | 8 128               | 8 080              |
| Prepaid expenses  | 15 350              | 1 000              |
|   | 85 919              | 18 167             |
| Fixed Assets  | 16 612              | 2 462              |
| Investment in Gestion La Marino                             | 1 500 000           | -                  |
| <b>TOTAL ASSETS</b>   | <b>\$ 1 602 531</b> | <b>\$ 20 629</b>   |
| <b>LIABILITIES</b>  |                     |                    |
| <b>CURRENT LIABILITIES</b>                                  |                     |                    |
| Accounts payable (Note 5)                                   | \$ 142,352          | \$ 224 549         |
| Notes payable, bearing interest at the rate of 12% (Note 6) | 15,000              | 554 700            |
|   | 157 352             | 779 249            |
| <b>NEGATIVE SHAREHOLDERS' EQUITY</b>                        |                     |                    |
| Share capital (Note 7)                                      | 12 693 579          | 10 271 692         |
| Warrants (Note 7)   | 266 842             | -                  |
| Options   | 109 200             | -                  |
| Contributed surplus   | 659 442             | 659 442            |
| Deficit   | (12 283 884)        | (11 689 754)       |
|   | 1 445 179           | (758 620)          |
| <b>TOTAL LIABILITIES AND EQUITY</b>                         | <b>\$ 1 602 531</b> | <b>\$ 20 629</b>   |

On behalf of the Board,

(s) Serge Beausoleil \_\_\_\_\_, Director

(s) Eugenio Noel Cuesta \_\_\_\_\_, Director

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

# Prime Blockchain Inc.

## CONDENSED INTERIM STATEMENTS OF CASH FLOWS (Unaudited, in Canadian dollar)

|  | Nine months ended<br>May 31, |                  |
|--|------------------------------|------------------|
|  | 2018                         | 2017             |
| <b>OPERATING ACTIVITIES</b>                        |                              |                  |
| Net loss   | (594,130)                    | (169,468)        |
| Changes in non-cash working capital items          | -                            | -                |
| Goods and services tax receivable                  | (48)                         | 18,190           |
| Prepaid expenses                                   | (14,350)                     | (11,096)         |
| Accounts payable                                   | 46,591                       | (1,451)          |
| Non-cash profit and loss items                     |                              |                  |
| Stock based compensation                           | 109,200                      | -                |
| Commission paid by shares                          | 105,000                      | -                |
| <b>Cash flows used in operating activities</b>     | <b>(347,737)</b>             | <b>(163,825)</b> |
| <b>INVESTING ACTIVITIES</b>                        |                              |                  |
| Fixed assets acquired                              | (14,150)                     | -                |
| <b>Cash flows used in investing activities</b>     | <b>(14,150)</b>              | <b>-</b>         |
| <b>FINANCING ACTIVITIES</b>                        |                              |                  |
| Private placement                                  | 365,782                      | -                |
| Increase note payable                              | 49,459                       | 147 500          |
| <b>Cash flows provided by financing activities</b> | <b>415,241</b>               | <b>147,500</b>   |
| <b>Net increase in cash</b>                        | <b>53,354</b>                | <b>(16,325)</b>  |
| Cash, beginning of year                            | 9,087                        | 16 443           |
| <b>Cash, end of period</b>                         | <b>62,441</b>                | <b>118</b>       |

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

# Prime Blockchain Inc.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As May 31, 2018 and 2017

(Unaudited, in Canadian dollars)

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### 1. STATUTES OF INCORPORATION AND NATURE OF ACTIVITIES

The Company, incorporated under the Canada Business Corporations Act on January 13, 2004, is inoperative. The head office of the Company is located at 101 de la Rotonde, Suite 2605, Verdun, Québec.

### 2. BASIS OF PRESENTATION

#### Representation of compliance

These interim financial statements, including comparatives, have been prepared following the same accounting policies and methods of computation as the audited annual financial statements for the year ended August 31, 2017.

These financial statements were approved by the Board of Directors on July 19, 2018.

#### Going concern assumption

These financial statements have been prepared on the going concern assumption and historical cost basis, with the exception of the financial assets measured at fair value through net income.

These financial statements have been prepared using the accounting principles that apply to an operating business. This assumes that the Company will continue to operate for the foreseeable future and that it will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company incurred a net loss of \$594 130 during the period ended May 31, 2018 (2017 - \$169 468), accumulated a significant deficit and generated negative cash flows from operating activities. As a result, the Company's ability to continue as a going concern is uncertain. The Company has capital requirements, notably for the payment of its accounts payable and notes payable. In this regard, the Company issued shares to settle accounts payable. The Company is seeking additional financing to carry out its future projects, and the Company's ability to continue as a going concern depends on completing this initiative in a timely manner and under satisfactory conditions.

These financial statements do not reflect the restatements that would be necessary if the going concern assumption was not appropriate. Management believes that the actions it has taken or intends to take will mitigate the effects of conditions and facts that raise doubt about the appropriateness of this assumption.

#### Functional and presentation currency

The Company's financial statements are presented in Canadian dollars, which is the Company's functional currency.

#### Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the accounting policies used and the carrying amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimated.

# Prime Blockchain Inc.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As May 31, 2018 and 2017

(Unaudited, in Canadian dollars)

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### 2. BASIS OF PRESENTATION (continued)

#### Use of estimates and judgments

The underlying estimates and assumptions are reviewed regularly. Any revision of accounting estimates is accounted for in the period in which the estimates are revised and in future periods affected by said revisions.

The main critical judgments made in applying accounting policies that have the most significant impact on the amounts recognized in the financial statements are as follows:

- Going concern assumption (Note 2);
- Deferred income taxes.

The estimate that has the most significant impact on the amounts recognized in the financial statements is the fair value of financial instruments (Note 3).

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described below have been applied consistently to all periods presented in the financial statements.

#### Income taxes

The Company recognizes current and recoverable income taxes for the year, as well as changes in deferred tax assets and liabilities, as an expense or revenue for the year, except where they relate to items that have been credited or debited directly to shareholders' equity; in that case, taxes are also recognized directly in shareholders' equity. Deferred tax assets and liabilities are measured at the tax rates in effect or substantively enacted at the date of the financial statements applicable to taxable income in the years in which the differences between the carrying amounts and tax basis of assets and liabilities are reversed. A deferred tax asset shall be recognized for all deductible temporary differences to the extent that it is probable that a taxable profit will be available against which these deductible temporary differences can be utilized.

#### Financial instruments

Financial assets and liabilities are initially recognized at fair value and are classified under one of the following categories: financial assets or liabilities at fair value through net income, loans and receivables and other financial liabilities. They are subsequently accounted for according to their classification as described below. The purpose for which the financial instruments were acquired, and their characteristics determine their classification.

#### Financial assets held at fair value through net income

Cash is classified as a financial asset held at fair value through net income and is recorded at fair value at each date of the statement of financial position and any changes in fair value are presented in net income in the year in which these changes occur.



# Prime Blockchain Inc.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As May 31, 2018 and 2017

(Unaudited, in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments

##### Loans and receivables and other financial liabilities

Financial instruments classified as other financial liabilities include accounts payable and notes payable. They are accounted for at cost after amortization using the effective interest rate method. Interest income or expense is included in net income over the expected life of the instrument.

##### Fair value

The fair value of a financial instrument generally corresponds to the consideration for which the instrument would be exchanged in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

##### Impairment of financial assets

Financial assets, other than those at fair value through net income, are tested for impairment at each reporting date. Financial assets are impaired if there is objective evidence of the impact of one or more events occurring after the financial asset was initially recognized.

For financial assets accounted for at amortized cost, the amount of the impairment loss is equal to the difference between the carrying amount of the asset and the current value of estimated future cash flows, discounted at the original effective interest rate of the financial asset.

If the amount of the impairment loss decreases in a subsequent financial year, and if this decrease can be objectively linked to an event occurring after the impairment has been recognized, the previously recognized impairment loss is reversed in net income to the extent that the carrying amount of the financial asset at the date of reversal of the impairment loss does not exceed the amortized cost that would have been obtained if the impairment had not been recognized.

#### Share issue expenses

Share issue expenses are recorded in deficit.

#### Fixed assets

Computer equipment is initially accounted for at cost and subsequently at cost less amortization and accumulated impairment losses.

Amortization is calculated according to the estimated useful life, using the straight-line method over a period of three years.

The residual value, estimated useful life and amortization method are reviewed at each reporting date and changes in estimates are accounted for prospectively. Amortization begins when the asset is ready for use.

# Prime Blockchain Inc.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As May 31, 2018 and 2017

(Unaudited, in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Contributed surplus

The contributed surplus represents the amounts recognized when warrants and stock options are granted. When the warrants or stock options are exercised, the amount is reclassified in share capital.

#### Stock-based compensation and other payments

The Company has a stock-based compensation plan as described in Note 8. The Company recognizes the fair value of stock options at the grant date as an expense in net income. Any consideration paid by directors and executives at the time of exercise of options or purchase is credited to share capital. Stock-based compensation expense related to the stock option plan is accounted for using the fair value method and is measured at the grant date. The value attributed to stock options is transferred to share capital upon issuance of the common shares.

In the ordinary course of business, the Company grants shares in exchange for goods or services to parties other than directors and executives. For these transactions, the Company measures the goods or services received and the increase in shareholders' equity that is the counterpart, directly at the fair value of the goods or services received, unless this fair value cannot be reliably estimated. In this case, the fair value is that of options issued on the date the goods or services are received.

Where vesting periods or conditions apply, the expense is allocated over the vesting period based on the best available estimate of the number of stock options expected to vest.

#### Income (loss) per share

Basic income (loss) per common share is calculated by dividing net income or net loss applicable to common shares by the weighted average number of common shares outstanding during the year.

Diluted income (loss) per share is calculated by taking into account the dilution that could occur if stock options and warrants to issue common shares were exercised at the beginning of the period or on the date of their issuance, whichever is later. The treasury stock method is used to determine the dilutive effect of stock options and warrants.

#### Cash and cash equivalents

The Company's cash and cash equivalents consist of bank accounts and highly liquid financial instruments with an initial term of three months or less.

# Prime Blockchain Inc.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As May 31, 2018 and 2017

(Unaudited, in Canadian dollars)

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### 4. NEW STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The International Financial Reporting Interpretation Committee and IASB have published new standards whose application will be mandatory for fiscal years beginning after September 1, 2017 or subsequent years. Many of these new accounting policies will have no impact on the comprehensive income (loss) and the statement of the financial position of the Company, so they are not discussed below.

#### IAS 7 - Statement of Cash Flows

In February 2016, IASB issued amendments of limited scope to IAS 7 - Statement of Cash Flows to require that companies provide information concerning changes in their financing liabilities. The amendments will apply prospectively to fiscal years beginning on or after January 1, 2017. Earlier application is permitted. These amendments will not have any significant impact on the Company's financial statements.

#### IAS 12 - Income Taxes

In January 2016, IASB issued amendments to IAS 12 - Income Taxes on the accounting of future tax assets relating to unrealized losses. Essentially, these amendments aim to clarify when a future tax asset should be recognized in regard to an unrealized loss. These amendments will apply to the financial statements of fiscal years beginning on or after January 1, 2017. These amendments will not have any significant impact on the Company's financial statements.

#### IFRS 9 - Financial Instruments

In July 2014, IASB issued IFRS 9 - Financial Instruments to replace IAS 39 on the classification and measurement of financial assets and liabilities, amortization and hedge accounting. This standard is retrospectively applicable to financial statements of fiscal years beginning on or after January 1, 2018. This new standard will not have any significant impact on the Company's financial statements.

#### IFRS 15 - Revenue from Contracts with Customers

In May 2014, IASB issued IFRS 15 - Revenue from Contracts with Customers to replace IAS 18 and IAS 11. This new standard provides guidance on the method to be used and when to recognize revenue as per a unique model, except for lease contracts, financial instruments and insurance contracts. This standard is retrospectively applicable from January 1, 2018. The Company will assess the impact of this new standard when it will recognize revenues from its ordinary activities.

#### IFRS 2 - Share-based Payment

In June 2016, IASB issued an amendment to IFRS 2 - Share-based Payment to clarify the measurement for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. This amendment will apply to fiscal years beginning on or after January 1, 2018, with early adoption permitted. This amendment will not have any significant impact on the Company's financial statements.

# Prime Blockchain Inc.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As May 31, 2018 and 2017

(Unaudited, in Canadian dollars)

### 4. NEW STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (continued)

#### IFRS 16 - Leases

This standard, issued in 2016, sets out the principles for the recognition, measurement, presentation and disclosure of leases. It provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less or the underlying asset has a low value. However, lessor accounting remains largely unchanged in regard to IAS 17 and the distinction between operating and finance leases is retained. This standard will apply to fiscal years beginning on or after January 1, 2019. The Company has not yet assessed the impact of this standard on its financial statements.

#### IFRIC 23 - Uncertainty over Income Tax Treatments

In June 2017, IASB issued IFRIC 23 - Uncertainty over Income Tax Treatments. IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12 - Income Taxes, when there is uncertainty over income tax treatments. It specifically addresses whether a company considers each tax treatment independently or collectively, the assumptions a company makes about the examination of tax treatments by taxation authorities, how a company determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how a company considers changes in facts and circumstances. This standard will apply to fiscal years beginning on or after January 1, 2019, with earlier adoption permitted. This standard will not have any significant impact on the Company's financial statements.

### 5. ACCOUNTS PAYABLE

|  | May 31, 2018      | August 31,<br>2017 |
|--|-------------------|--------------------|
| Suppliers accounts and accrued liabilities | \$ 133,077        | \$ 144,175         |
| Accrued interest                           | 9,275             | 80,374             |
|  | <b>\$ 142,352</b> | <b>\$ 224,549</b>  |

As at May 31, 2018, suppliers accounts totalling \$72,535 (2017 - \$96,727) had not been repaid at due date.

### 6. NOTES PAYABLE

As at May 31, 2018, notes payable totalling \$15,000 (August 31, 2017 - \$302,200) and accrued interest totalling \$9,275 (August 31, 2017 - \$72,867) had not been repaid on their original maturity date.

# Prime Blockchain Inc.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As May 31, 2018 and 2017

(Unaudited, in Canadian dollars)

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### 7. SHARE CAPITAL

#### Authorized Share Capital

Authorized, unlimited in number and without par value

Common shares, participating and voting

a) The Corporation completed the following private placements:

- (i) On September 15, 2017, the Corporation completed a private placement by issuing 5,502,000 (110,040,000 before consolidation 20:1) common share units for an amount of \$550,200. Each unit consisted in one share and one warrant. Each warrant giving the holder the right to acquire an additional share at a price of \$0.20 (\$0.01 before consolidation 20:1) per share for a period of two (2) years. The share had a value of \$404 559 and the warrants a value of \$145 641. The Corporation also issued 114,434 (2,288,680 before consolidation 20:1) shares as payment for operating expenses in a value of \$11,443.
- (ii) On September 29, 2017, the Corporation completed a private placement by issuing 734,900 (14,698,000 before consolidation 20:1) common share units for an amount of \$73,490. Each unit consisted in one share and one warrant. Each warrant giving the holder the right to acquire an additional share at a price of \$0.20 (\$0.01 before consolidation 20:1) per share for a period of two (2) years. The share had a value of \$54,037 and the warrants a value of \$19,453. The Corporation also issued 44,717 (894,336 before consolidation 20:1) shares as payment for operating expenses in a value of \$4,472.
- (iii) On November 28, 2017, the Corporation completed a private placement by issuing 1,393,737 (27,874,738 before consolidation 20:1) common share units for an amount of \$139,374. Each unit consisted in one share and one warrant. Each warrant giving the holder the right to acquire an additional share at a price of \$0.20 (\$0.01 before consolidation) per share for a period of two (2) years. The share had a value of \$102,481 and the warrants a value of \$36,893. The Corporation also issued 70,135 (1,402,702 before consolidation 20:1) shares as payment for operating expenses in a value of \$7,013.
- (iv) On December 11, 2017, the Company proceeded with a share consolidation with a ratio of 20 to 1.
- (v) January 18, 2018, the Corporation completed a private placement by issuing 1,000,000 common share units for an amount of \$100,000. Each unit consisted in one share and one warrant. Each warrant giving the holder the right to acquire an additional share at a price of \$0.20 per share for a period of two (2) years. The share had a value of \$73,259 and the warrants a value of \$26,471. The Corporation also issued 78,979 shares as payment for operating expenses in a value of \$7,898.
- (vi) On February 15, 2018, the Corporation completed a private placement by issuing 350,000 common share units for an amount of \$35,000. Each unit consisted in one share and one warrant. Each warrant giving the holder the right to acquire an additional share at a price of \$0.20 per share for a period of two (2) years. The share had a value of \$25,735 and the warrants a value of \$9,265. The Corporation also issued 95,642 shares as payment for operating expenses in a value of \$9,564.

# Prime Blockchain Inc.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As May 31, 2018 and 2017

(Unaudited, in Canadian dollars)

### 7. SHARE CAPITAL (continued)

#### Authorized Share Capital

- (vii) On March 30, 2018, the Corporation completed a private placement by issuing 200,000 common share units for an amount of \$20,000. Each unit consisted in one share and one warrant. Each warrant giving the holder the right to acquire an additional share at a price of \$0.20 per share for a period of two (2) years. The share had a value of \$14,705 and the warrants a value of \$5,295. The Corporation also issued 232,258 shares as payment for operating expenses in a value of \$23,226.
- (viii) On March 30, 2018, the Corporation completed the acquisition of Gestion La Marino for value one million five hundred thousand dollars (\$1,500,000) payable through the issuance of fifteen million (15,000,000) shares. As part of this transaction, a commission of one hundred and five thousand dollars (\$105,000) was paid through the issuance of one million and fifty thousand (1,050,000) shares. All the shares issued for the acquisition were done so at ten cents (\$0.10) per share.
- (ix) On May 24, 2018, the Corporation completed a private placement by issuing 900,000 common share units for an amount of \$90,000. Each unit consisted in one share and one warrant. Each warrant giving the holder the right to acquire an additional share at a price of \$0.20 per share for a period of two (2) years. The share had a value of \$66,176 and the warrants a value of \$23,824. The Corporation also issued 120,491 shares as payment for operating expenses in a value of \$12,049.

#### Warrants

As at February 28, 2018, the issued and outstanding warrants to purchase shares gave the holders the right to subscribe to an equal number of common shares as follows:

| Date                    | Transaction | Number of warrants | Term      | Exercise price | Value in dollars | Volatility | Risk-free rate |
|-------------------------|-------------|--------------------|-----------|----------------|------------------|------------|----------------|
| Balance August 31, 2017 |             | -                  |           | - \$           | -                |            |                |
| September 15, 2017      | Issued      | 5 502 000          | 24 months | 0,20 \$        | 145 641 \$       | 100,00%    | 1,76%          |
| September 30, 2017      | Issued      | 734 900            | 24 months | 0,20 \$        | 19 453 \$        | 100,00%    | 1,76%          |
| November 28, 2017       | Issued      | 1 393 737          | 24 months | 0,20 \$        | 36 893 \$        | 100,00%    | 1,76%          |
| January 18, 2018        | Issued      | 1 000 000          | 24 months | 0,20 \$        | 26 471 \$        | 100,00%    | 1,76%          |
| February 15, 2018       | Issued      | 350 000            | 24 months | 0,20 \$        | 9 265 \$         | 100,00%    | 1,76%          |
| March 30, 2018          | Issued      | 200 000            | 24 months | 0,20 \$        | 5 295 \$         | 100,00%    | 1,76%          |
| May 24, 2018            | Issued      | 900 000            | 24 months | 0,20 \$        | 23 824 \$        | 100,00%    | 1,76%          |
| Balance May 31, 2018    |             | 10 080 637         |           | 0,20 \$        | 266 842 \$       |            |                |

| Numbers of warrants | Exercise price \$ | Expiration Date    |
|---------------------|-------------------|--------------------|
| 5,502,000           | \$0.20            | September 15, 2019 |
| 734,900             | \$0.20            | September 29, 2019 |
| 1,393,737           | \$0.20            | November 28, 2019  |
| 1,000,000           | \$0.20            | January 18, 2020   |
| 350,000             | \$0.20            | February 15, 2020  |
| 200,000             | \$0.20            | March 30, 2020     |
| 900,000             | \$0.20            | May 24, 2020       |

The average life of the issued and outstanding warrants was 17.6 months as at May 31, 2018.

# Prime Blockchain Inc.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As May 31, 2018 and 2017

(Unaudited, in Canadian dollars)

### 8. STOCK OPTIONS

#### Stock option plan

The Company had adopted a stock option plan under which the Board of Directors may grant non-transferable stock options to directors, executives, employees and consultants of the Company to acquire common shares, which can be exercised within five years from the date of the grant. The last options under this plan came to maturity prior to year end on August 31, 2017.

The new option program was adopted during the quarter ending on November 30, 2017. No options were granted under that new program during the quarter

The following table summarizes the status of the stock option plan and changes during the periods:

|  | May 31, 2018 |                                 | August 31, 2017 |                                 |
|--|--------------|---------------------------------|-----------------|---------------------------------|
|  | Number       | Weighted average exercise price | Number          | Weighted average exercise price |
| Outstanding at the beginning of the period | 1,200,000    | \$ 0.10                         | 475,000         | \$ 0.11                         |
| Expired                                    | -            | -                               | (475,000)       | (0.11)                          |
|  | 1,200,000    | \$ 0.10                         | -               | \$ -                            |

### 9. CAPITAL MANAGEMENT

The Company defines the components of its capital structure as its total equity.

With respect to capital management, the Company's objectives are to preserve its ability to continue as a going concern in order to ensure its long-term viability and provide adequate returns to its shareholders in the future. The Company finances its operations by issuing shares.

The Company's capital management objectives and policies have not changed since September 1, 2013.

In order to maintain or adjust its capital structure, the Company may issue new shares or debts.

# Prime Blockchain Inc.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As May 31, 2018 and 2017

(Unaudited, in Canadian dollars)

### 10. INCOME (LOSS) PER SHARE

The following table presents the basic weighted average number of common shares outstanding:

|   | May 31,<br>2018 | February 28,<br>2017 |
|---|-----------------|----------------------|
| Basic weighted average number of common shares outstanding        | 27,633,858      | 746,565              |
| <b>Elements excluded from the diluted income (loss) per share</b> |                 |                      |
| Stock options   | 1,200,000       | 23,750               |
| Warrants  | 11,280,637      | -                    |

### 11. RELATED PARTY TRANSACTIONS

Related parties of the Company include its subsidiaries as well as the Company's key management personnel, as well as entities directly or indirectly controlled by key management personnel or entities where key management personnel are directors or officers.

Compensation of Key Management Personnel – The Company considers its directors and executives to be key management personnel. Key management personnel compensation for the nine months ended May 31, consisting of stock-based compensation, consulting fees, and are as follows:

|                          | <b>Nine months ended May 31,</b> |             |
|--------------------------|----------------------------------|-------------|
|                          | <b>2018</b>                      | <b>2017</b> |
| Consulting fees (1)      | <b>113,225</b>                   | -           |
| Stock based compensation | <b>72,800</b>                    | -           |
| Rent                     | <b>6,000</b>                     | -           |
| Total                    | <b>192,025</b>                   | -           |

(1) Consulting fees for a director and officer of the Company are paid to a separate management company controlled by the director and officer.

As at May 31, 2018, all the payables to Directors had been paid.

### 12. FINANCIAL INSTRUMENTS

#### Credit risk

Credit risk is the risk of financial loss for the Company if a counterpart fails to meet its obligations. The credit risk on cash is limited as the contracting party is a financial institution with a high credit rating. The maximum credit risk is equal to the Company's cash.

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet all its cash flow commitments at the appropriate time.



# Prime Blockchain Inc.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As May 31, 2018 and 2017

(Unaudited, in Canadian dollars)

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### 12. FINANCIAL INSTRUMENTS (Continued)

#### Liquidity risk

The Company monitors its liquidity, allowing it to seek additional liquidity in a timely manner when necessary. The necessary financing is provided through the issuance of shares that enable the Company to continue as a going concern.

As at May 31, 2018, the Company had current liabilities consisting of accounts payable and notes payable totaling \$157,352 (August 31, 2017 - \$779,249).

#### Interest rate risk

The Company has interest-bearing notes payable. Given the short-term maturity of the notes payable, the interest rate risk is low.

#### Fair value

The carrying amounts of cash, accounts payable and notes payable represent a reasonable estimate of their fair value due to the short-term maturities of these instruments.

Financial instruments recognized at fair value are classified in a hierarchy that reflects the importance of data used to compile the ratings. This hierarchy includes three levels:

Level 1 - Prices (unadjusted) in active markets for identical assets and liabilities level; cash is classified in this level.

Level 2 - Evaluation based on data from observable market for the asset or liability, directly or indirectly obtained.

Level 3 - Evaluation based on data other than observable market for the asset or liability.

During the periods ended May 2018 and 2017, there were no transfer in assessments of financial assets between the different levels.

### 13. SUBSEQUENT EVENTS

Since the end of the period there has not been any subsequent events of importance which need to be divulged.