

Prime Blockchain Inc.
(formerly Investissements TSPL Inc.)

Financial Statements
As at August 31, 2018 and 2017
(expressed in Canadian dollars)

Together with Independent Auditor's Report

YEARS ENDED AUGUST 31, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Prime Blockchain Inc.,

We have audited the accompanying financial statements of **PRIME BLOCKCHAIN INC.**, which comprise the statements of financial position as at August 31, 2018 and 2017, and the statements of net income (loss) and comprehensive income (loss), changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Prime Blockchain Inc. as at August 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis on Matter

Without qualifying our opinion, we draw attention to Note 2 to the financial statements which indicates the uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern.

 ¹

Mallette L.L.P.
Partnership of chartered professional accountants

Québec, Canada
December 21, 2018

¹ CPA auditor, CA, public accountancy permit No. A119429

Prime Blockchain Inc.
STATEMENTS OF FINANCIAL POSITION

	August 31, 2018	August 31, 2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 226	\$ 9,087
Goods and services tax receivable	18,932	8,080
Prepaid expenses	-	1,000
	<u>19,158</u>	<u>18,167</u>
Fixed Assets	-	2,462
TOTAL ASSETS	<u>\$ 19,158</u>	<u>\$ 20,629</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable (Note 7)	\$ 116,421	\$ 224,549
Notes payable, bearing interest at the rate of 12%	-	554,700
	<u>116,421</u>	<u>779,249</u>
NEGATIVE SHAREHOLDERS' EQUITY		
Share capital (Note 8)	11,202,894	10,271,692
Warrants (Note 8)	292,783	-
Stock options (Note 9)	138,375	-
Contributed surplus	659,442	659,442
Deficit	(12,390,757)	(11,689,754)
	<u>(97,263)</u>	<u>(758,620)</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 19,158</u>	<u>\$ 20,629</u>

On behalf of the Board,

(s) Serge Beausoleil, Director

(s) Eugenio Noel Cuesta, Director

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

Prime Blockchain Inc.

STATEMENTS OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

	Note	2018	Years ended August 31, 2017
Revenues		\$ -	\$ -
Expenses			
Office expenses		25,706	12,388
Business development expenses		10,010	-
Travel expenses		50,373	10,565
Consulting fees	9	382,540	96,775
Interest on notes payable		948	53,853
Other financial fees		2,270	-
Professional fees		107,653	64,684
Listing fees		30,084	-
Penalties and interest		-	81,894
Remuneration of directors	9	77,775	-
Total expenses		<u>687,359</u>	<u>320,159</u>
Loss from operations		(687,359)	(320,159)
Gain on settlement of debts		14,265	89,349
Loss resulting from the holding of an investment	5	<u>(27,909)</u>	-
Net loss and comprehensive loss		<u>\$ (701,003)</u>	<u>\$ (230,810)</u>
Loss per share	11		
Basic		\$ (0.07)	\$ (0.31)
Fully diluted		<u>\$ (0.07)</u>	<u>\$ (0.31)</u>

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

Prime Blockchain Inc.

STATEMENTS OF CHANGES IN EQUITY

	Number			Amount					
	Common shares	Warrants/ Stock options	Total	Share capital	Warrants	Stock options	Contributed surplus	Deficit	Total
BALANCE as at August 31, 2016*	746,565	23,750	770,315	\$ 10,271,692	\$ -	\$ -	\$ 659,442	\$ (11,458,944)	\$ (527,810)
Stock options expired	-	(23,750)	(23,750)	-	-	-	-	-	-
Net loss	-	-	-	-	-	-	-	(230,810)	(230,810)
BALANCE as at August 31, 2017	746,565	-	746,565	10,271,692	-	-	659,442	(11,689,754)	(758,620)
Shares issued pursuant to private placements	5,119,564	5,119,564	10,239,128	376,438	135,518	-	-	-	511,956
Shares issued pursuant to conversion of payables	1,179,206	-	1,179,206	117,921	-	-	-	-	117,921
Shares issued pursuant to conversion of notes payable	5,941,073	5,941,073	11,882,146	436,843	157,265	-	-	-	594,108
Issuance of shares for the acquisition of an investment (Note 5)	16,050,000	-	16,050,000	1,605,000	-	-	-	-	1,605,000
Cancellation of the issuance arising from the acquisition of an investment (Note 5)	(16,050,000)	-	(16,050,000)	(1,605,000)	-	-	-	-	(1,605,000)
Stock options issued	-	1,845,000	1,845,000	-	-	138,375	-	-	138,375
Net loss	-	-	-	-	-	-	-	(701,003)	(701,003)
BALANCE as at August 31, 2018	12,986,408	12,905,637	25,892,045	\$ 11,202,894	\$ 292,783	\$ 138,375	\$ 659,442	\$ (12,390,757)	\$ (97,263)

* On December 11, 2017, the Company proceeded to the consolidation of its share capital at 20 shares for one.

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

Prime Blockchain Inc.
STATEMENTS OF CASH FLOWS

	2018	Years ended August 31, 2017
OPERATING ACTIVITIES		
Net loss and comprehensive loss	\$ (701,003)	\$ (230,810)
Changes in non-cash working capital items		
Goods and services tax receivable	(10,852)	15,450
Prepaid expenses	1,000	919
Accounts payable	78,466	32,896
Non-cash profit and loss items		
Stock-based compensation	138,375	-
Gain on settlement of debts	(14,265)	(89,349)
Amortization of fixed assets	2,462	-
Cash flows used in operating activities	<u>(505,817)</u>	<u>(270,894)</u>
INVESTING ACTIVITIES		
Fixed assets acquired	-	(2,462)
Cash flows used in investing activities	<u>-</u>	<u>(2,462)</u>
FINANCING ACTIVITIES		
Private placements	511,956	-
Increase in notes payable	-	321,000
Repayment of a note payable (Note 13)	(15,000)	(55,000)
Cash flows from financing activities	<u>496,956</u>	<u>266,000</u>
Decrease in cash and cash equivalents	(8,861)	(7,356)
Cash, beginning of year	9,087	16,443
Cash, end of year	<u>\$ 226</u>	<u>\$ 9,087</u>
Non-monetary transactions		
Issuance of shares as payment for notes payable	\$ 529,700	\$ -
Issuance of shares as payment for accounts payable	\$ 182,329	\$ -
Settlement of accounts payable	\$ -	\$ 55,449
Settlement of notes payable	\$ -	\$ 33,900

For the year ended August 31, 2018, cash flows used in operating activities include interest paid of \$7,635 (2017 - \$10,425) and do not include any tax paid.

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

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2018 and 2017

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

Declaration of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

These financial statements were approved by the Board of Directors on December 21, 2018.

Going concern assumption

The financial statements have been prepared on the historical cost basis, except for the financial asset 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 has not yet realized profitable operations, reporting a comprehensive loss of \$701,003 for the year ended August 31, 2018 compared to a comprehensive loss of \$230,810 for the year ended August 31, 2017 and has had negative cash flows from operating activities since inception. 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. The Company has relied on external sources of debt and equity to fund operations to date.

The Company's ability to continue as a going concern will depend on management's ability to successfully execute its business plan and obtain additional financing until it achieves profitability and positive cash flows from operating activities. Although, to date, management has been able to obtain financing and feels that the risk that the Company will not be able to continue as a going concern is low, there can be no assurance that such financing and profitability will occur in the amounts and with the terms expected. These financial statements do not give effect to adjustments that would be necessary to the carrying value and classification of assets and liabilities should the Company be unable to continue as a going concern. These factors raise significant doubt about the Company's ability to continue as a going concern.

Functional and presentation currency

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

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2018 and 2017

2. BASIS OF PRESENTATION (continued)

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.

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 (Note 6).

The estimates that have the most significant impact on the amounts recognized in the financial statements are as follows:

- Fair value of shares, warrants and stock options.

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.

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2018 and 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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.

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.

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2018 and 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Stock-based compensation and other payments

The Company has a stock-based compensation plan as described in Note 9. 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.

Fair value of warrants

The proceed from the issuance of units is distributed between shares and warrants issued based on their relative fair values using the proportional distribution method. At the time the warrants are exercised, their value is reclassified to share capital. The value of warrants that have not been exercised at maturity is reclassified to contributed surplus.

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2018 and 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

4. NEW STANDARDS AND INTERPRETATIONS

On September 1, 2017, the Company applied the following amendments:

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. These amendments lead to the addition of disclosures that have been disclosed in Note 13.

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 did not have any significant impact on the Company's financial statements.

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, 2018 or subsequent years. Many of these new accounting policies will have no impact on the comprehensive income (loss) and the statement of financial position of the Company, so they are not discussed below.

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.

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2018 and 2017

4. NEW STANDARDS AND INTERPRETATIONS (continued)

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.

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. LOSS RESULTING FROM THE HOLDING OF AN INVESTMENT

On March 15, 2018, the Company acquired all of the shares of Gestion La Marino, a company that holds and operates assets of blockchain and for the mining of digital currency, in consideration for the issuance of 15,000,000 shares of the Company. In addition, 1,050,000 shares were issued as a commission on the transaction. Thereafter, the parties took the decision to rescind the transaction given that the set targets have not been met. Consequently, the 16,050,000 shares issued by the Company as part of the acquisition were returned to it. On its side, the Company gave back the shares of Gestion La Marino, which had been acquired as part of the transaction, to the former shareholders of the latter.

The impact of this transaction has been recognized in the statement of income as a loss of \$27,909 resulting from the holding of an investment.

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2018 and 2017

6. INCOME TAXES

The items giving rise to deferred tax assets and liabilities are as follows:

	2018	2017
Deferred tax assets		
Tax losses	\$ 1,174,230	\$ 1,043,922
Intangible assets and others	15,140	14,696
	1,189,370	1,058,618
Valuation allowance	(1,189,370)	(1,058,618)
Recognized deferred tax assets and liabilities	\$ -	\$ -

The Company's effective tax rate differs from the combined basic tax rate (federal and provincial). This difference is due to the following factors:

	2018	2017
Loss before income taxes	\$ (701,003)	\$ (230,810)
Taxes at the combined federal and provincial rate of 26.7% (2017 - 26.8%)	\$ (187,168)	\$ (61,857)
Non-deductible expenses	51,378	21,948
Valuation allowance	130,752	32,909
Rate differential and others	5,038	7,000
Income taxes	\$ -	\$ -

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2018 and 2017

6. INCOME TAXES (continued)

Non-capital losses

As at August 31, 2018, the non-capital losses available to reduce taxes in future years are of \$4,427,200 at the federal level and \$4,396,300 at the provincial level. The Company may take advantage of the tax benefit resulting from the carry-forward of these losses until 2037:

	Federal	Provincial
2025 -	\$ 168,600	\$ 166,400
2026 -	\$ 505,100	\$ 505,100
2027 -	\$ 313,900	\$ 313,900
2028 -	\$ 341,900	\$ 341,400
2029 -	\$ 414,400	\$ 414,900
2030 -	\$ 697,400	\$ 697,400
2031 -	\$ 586,100	\$ 572,600
2032 -	\$ 149,900	\$ 149,900
2033 -	\$ 67,200	\$ 67,200
2034 -	\$ 149,500	\$ 149,500
2035 -	\$ 264,500	\$ 264,500
2036 -	\$ 242,900	\$ 243,800
2037 -	\$ 525,800	\$ 509,700

7. ACCOUNTS PAYABLE

	2018	2017
Suppliers accounts and accrued liabilities	\$ 116,421	\$ 144,175
Accrued interest	-	80,374
	\$ 116,421	\$ 224,549

As at August 31, 2018, suppliers accounts totalling \$31,771 (2017 - \$96,727) had not been repaid at due date.

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2018 and 2017

8. SHARE CAPITAL

Authorized share capital

Authorized, unlimited in number and without par value

Common shares, participating and voting

The Company completed the following private placements:

- (i) On September 15, 2017, the Company completed a private placement by issuing 5,502,000 (110,040,000 before consolidation at 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 at 20:1) per share for a period of two years. The shares had a value of \$404,559 and the warrants a value of \$145,641. The Company also issued 114,434 (2,288,680 before consolidation at 20:1) shares as payment for operating expenses at a value of \$11,443.
- (ii) On September 29, 2017, the Company completed a private placement by issuing 734,900 (14,698,000 before consolidation at 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 at 20:1) per share for a period of two years. The shares had a value of \$54,037 and the warrants a value of \$19,453. The Company also issued 44,717 (894,336 before consolidation at 20:1) shares as payment for operating expenses at a value of \$4,472.
- (iii) On November 28, 2017, the Company completed a private placement by issuing 1,393,737 (27,874,738 before consolidation at 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 at 20:1) per share for a period of two years. The shares had a value of \$102,481 and the warrants a value of \$36,893. The Company also issued 70,135 (1,402,702 before consolidation at 20:1) shares as payment for operating expenses at a value of \$7,013.
- (iv) On December 11, 2017, the Company proceeded with a share consolidation at a ratio of 20 to 1.
- (v) On January 18, 2018, the Company 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 years. The shares had a value of \$73,529 and the warrants a value of \$26,471. The Company also issued 78,979 shares as payment for operating expenses at a value of \$7,898.
- (vi) On February 15, 2018, the Company completed a private placement by issuing 550,000 common share units for an amount of \$55,000. 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 years. The shares had a value of \$40,440 and the warrants a value of \$14,560. The Company also issued 327,900 shares as payment for operating expenses at a value of \$32,790.

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2018 and 2017

8. SHARE CAPITAL (continued)

Authorized share capital

The Company completed the following private placements:

- (vii) On May 24, 2018, the Company 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 years. The shares had a value of \$66,176 and the warrants a value of \$23,824. The Company also issued 120,491 shares as payment for operating expenses at a value of \$12,049.
- (viii) On July 24, 2018, the Company completed a private placement by issuing 850,000 common share units for an amount of \$85,000. 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 years. The shares had a value of \$62,500 and the warrants a value of \$22,500. The Company also issued 313,701 shares as payment for operating expenses at a value of \$31,370.
- (ix) On August 28, 2018, the Company completed a private placement by issuing 130,000 common share units for an amount of \$13,000. 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 years. The shares had a value of \$9,559 and the warrants a value of \$3,441. The Company also issued 108,849 shares as payment for operating expenses at a value of \$10,885.

See also Note 5.

Warrants

As at August 31, 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	Share price
Balance, August 31, 2017		-		\$ -	\$ -			
September 15, 2017	Issued	5,502,000	24 months	0.20	145,641	100.00%	1.76%	\$ 0.10
September 29, 2017	Issued	734,900	24 months	0.20	19,453	100.00%	1.76%	\$ 0.10
November 28, 2017	Issued	1,393,737	24 months	0.20	36,893	100.00%	1.76%	\$ 0.10
January 18, 2018	Issued	1,000,000	24 months	0.20	26,471	100.00%	1.76%	\$ 0.10
February 15, 2018	Issued	550,000	24 months	0.20	14,560	100.00%	1.76%	\$ 0.10
May 24, 2018	Issued	900,000	24 months	0.20	23,824	100.00%	1.76%	\$ 0.10
July 24, 2018	Issued	850,000	24 months	0.20	22,500	100.00%	1.76%	\$ 0.10
August 28, 2018	Issued	130,000	24 months	0.20	3,441	100.00%	1.76%	\$ 0.10
Balance, August 31, 2018		11,060,637		\$ 0.20	\$ 292,783			

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As at August 31, 2018 and 2017

8. SHARE CAPITAL (continued)

Warrants

<u>Number of warrants</u>	<u>Exercise price</u>	<u>Expiration date</u>
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
550,000	\$0.20	February 15, 2020
900,000	\$0.20	May 24, 2020
850,000	\$0.20	July 24, 2020
130,000	\$0.20	August 28, 2020

The average life of the issued and outstanding warrants was 15 months as at August 31, 2018.

9. 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, 2018.

The new option plan was adopted during the quarter ending on November 30, 2017. Under that new plan, 1,845,000 options were granted during the year for a value of \$138,375, according to Black & Scholes calculation, of which \$60,600 were recognized as consulting fees and \$77,775 as remuneration of directors.

The Company has not been able to reliably estimate the fair value of services rendered by consultants in consideration for stock options granted to them due to the lack of reliable comparable. As a result, the estimated fair value is that of the stock options issued.

The determination of the volatility assumption of stock options is based on a historical volatility analysis over a period equal to the life of the options.

Prime Blockchain Inc.

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As at August 31, 2018 and 2017

9. STOCK OPTIONS (continued)

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

Date	Transaction	Number of options	Weighted average exercise price	Remaining contractual term in years	Fair value in dollars	Volatility	Risk-free rate	Share price	Term
Outstanding, September 1, 2016									
		23,750	\$ 2.20	-	\$ -				
	Expired	(23,750)	\$ 2.20	-	\$ -				
Outstanding, August 31, 2017									
		-	-	-	\$ -				
March 15, 2018	Issued	1,200,000	\$ 0.10	4.34	\$ 90,000	100%	1.5%	\$ 0.10	5 years
August 21, 2018	Issued	645,000	\$ 0.10	4.97	\$ 48,375	100%	1.5%	\$ 0.10	5 years
		1,845,000							
Outstanding, August 31, 2018									
		1,845,000	\$ 0.10		\$ 138,375				
Exercisable, August 31, 2018									
		1,845,000	\$ 0.10						

10. 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.

11. INCOME (LOSS) PER SHARE

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

	2018		2017	
Basic weighted average number of common shares outstanding*	\$	9,495,645	\$	746,565
Elements excluded from the diluted income (loss) per share				
Stock options*	\$	1,845,000	\$	23,750
Warrants	\$	11,060,637	\$	-

* On December 11, 2017, the Company proceeded to the consolidation of its share capital at 20 shares for one.

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2018 and 2017

11. INCOME (LOSS) PER SHARE (continued)

For the years ended August 31, 2018 and 2017, there is no difference between the basic and diluted net loss per share as the dilutive effect of stock options and warrants was not included in the calculation; otherwise the effect would have been anti-dilutive. As a result, the diluted net loss per share has been calculated based on the basic weighted average number of shares outstanding.

12. RELATED PARTY TRANSACTIONS

Related parties of the Company include 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.

The Company considers its directors and executives to be key management personnel. Key management personnel compensation for the years consisted of stock-based compensation and consulting fees, and are as follows:

	Years ended August 31,	
	2018	2017
Consulting fees*	\$ 153,225	\$ 6,775
Remuneration of directors - stock-based compensation	77,775	-
Office expense - rent	6,000	-
Note payable (interest)	1,603	1,502
Total	\$ 238,603	\$ 8,277

* Consulting fees for a director and officer of the Company are paid to a separate management company controlled by this individual.

As at August 31, 2017, the notes payable to a director and a company controlled by a director amounted to \$320,500 in principal and \$29,369 in interest. As at August 31, 2018, all the payables to directors and officers had been paid.

These transactions were carried out under terms equivalent to those prevailing in the case of arm's length transactions.

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2018 and 2017

13. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

The table below shows the changes in liabilities arising from the Company's financing activities, which include changes in cash flows and changes without cash consideration:

	Balance, as at July 31, 2017	Cash flows	Conversion of notes payable into shares	Gain on settlement of debts	Balance, as at July 31, 2018
Notes payable	\$ 554,700	\$ (15,000)	\$ (529,700)	\$ (10,000)	\$ -

14. 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.

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 August 31, 2018, the Company had current liabilities totaling \$116,421 (2017 - \$779,249).

Fair value

The carrying amounts of cash and accounts 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;

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.

Cash is classified in Level 1.

During the years ended August 31, 2018 and 2017, there were no transfers in assessments of financial assets between the different levels.

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2018 and 2017

15. SUBSEQUENT EVENTS

On November 20, 2018, the Company issued 2,100,000 common share units at a price of \$0.05 per unit to complete a \$105,000 private placement. 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 years. The Company also issued 254,978 shares as payment for operating expenses at a value of \$25,498.

16. COMPARATIVE FIGURES

The Company reclassified expenses of the year 2017 in order to present a more detailed information to users. Consequently, consulting fees in the amount of \$96,775 previously presented as professional fees and travel expenses previously presented as office expenses are now presented as distinct items. Furthermore, rent expenses in the amount of \$12,000 are now included in office expenses.