

Prime Blockchain Inc.

(formerly Investissements TSPL Inc.)

Condensed Interim Financial Statements

As at November 30, 2018 and 2017

(expressed in Canadian dollars)

Unaudited

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim financial statements of Prime Blockchain Inc. as at and for the three-month period ended November 30, 2018 have been prepared by and are the responsibility of the Company's management. The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements.

THREE MONTHS ENDED NOVEMBER 30, 2018 AND 2017

Condensed Interim Financial Statements

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Prime Blockchain Inc.

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

	November 30, 2018	August 31, 2018
ASSETS		
CURRENT ASSETS		
Cash	\$ 4,966	\$ 226
Goods and services tax receivable	-	18,932
Prepaid expenses	10,000	-
TOTAL ASSETS	\$ 14,966	\$ 19,158
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable (Note 7)	\$ 56,131	\$ 116,421
Notes payable, bearing interest at the rate of 12%	-	-
	56,131	116,421
NEGATIVE SHAREHOLDERS' EQUITY		
Share capital (Note 8)	11,305,598	11,202,894
Warrants (Note 8)	320,577	292,783
Stock options (Note 9)	138,375	138,375
Contributed surplus	659,442	659,442
Deficit	(12,465,157)	(12,390,757)
	(41,165)	(97,263)
TOTAL LIABILITIES AND EQUITY	\$ 14,966	\$ 19,158

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 LOSS AND COMPREHENSIVE LOSS (Unaudited, in Canadian dollar)

Three months ended November 30,			
	Note	2018	2017
Revenues		\$ -	\$ -
Expenses			
Office expenses		147	6,197
Business development expenses		5,612	19,857
Consulting fees	9	66,939	65,450
Interest on notes payable		-	948
Professional fees		1,702	-
Listing fees		-	10,126
Stock-based compensation	9	-	195,344
Total expenses		<u>74,400</u>	<u>297,922</u>
Loss from operations		(74,400)	(297,922)
Gain on settlement of debts		-	8,646
Net loss and comprehensive loss		<u>\$ (74,400)</u>	<u>\$ (289,276)</u>
Loss per share	11		
Basic		\$ (0.005)	\$ (0.003)
Fully diluted		<u>\$ (0.005)</u>	<u>\$ (0003)</u>

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/ Stock options	Total	Share capital	Warrants	Stock options	Contributed surplus	Deficit	Total	
Balance as at August 31, 2017	746,565	513,585	1,259,150	10,271,692	-	-	659,442	(11,689,754)	(758,620)	
Shares issued pursuant to private placements	970,000	970,000	1,940,000	97,000	24,832	-	-	-	121,832	
Shares issued pursuant to conversion of payables	6,660,637	6,660,637	13,221,274	666,064	170,512	-	-	-	836,576	
Shares issued pursuant to conversion of notes payable	229,286	-	229,286	22,928	-	-	-	-	22,928	
Net loss	-	-	-	-	-	-	-	(289,276)	(289,276)	
Balance as at November 30, 2017	8,606,488	8,144,222	16,649,710	11,057,684	195,344	-	659,442	(11,979,030)	(66,560)	
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)	
Shares issued pursuant to private placements	2,100,000	2,100,000	4,200,000	77,206	27,794	-	-	-	105,000	
Shares issued pursuant to conversion of payables	254,978	-	254,978	25,498	-	-	-	-	25,498	
Net loss	-	-	-	-	-	-	-	(74,400)	(74,400)	
Balance as at November 30, 2018	15,341,386	15,005,637	30,347,023	11,305,598	320,577	138,375	659,442	(12,465,157)	(41,165)	

* On December 11, 2017, the Company proceeded with 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.

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

	Three months ended November 30,	
	2018	2017
OPERATING ACTIVITIES		
Net loss and comprehensive loss	\$ (74,400)	\$ (289,276)
Changes in non-cash working capital items		
Goods and services tax receivable	18,932	1,393
Prepaid expenses	(10,000)	-
Accounts payable	(34,792)	(141,627)
Non-cash profit and loss items		
Stock-based compensation	-	195,344
Cash flows used in operating activities	(100,260)	(234,166)
FINANCING ACTIVITIES		
Private placements	105,000	97,000
Increase in notes payable	-	666,064
Repayment of a note payable (Note 13)	-	(533,200)
Cash flows from financing activities	105,000	229,864
Decrease in cash and cash equivalents	4,740	(4,302)
Cash, beginning of year	226	9,087
Cash, end of year	\$ 4,966	\$ 4,785
Non-monetary transactions		
Issuance of shares as payment for accounts payable	\$ 25,498	\$ 22,928

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

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

These condensed financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The annual consolidated financial statements were prepared according to International Accounting Standards Board (IASB). These interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting (IAS34). These interim consolidated financial statements follow the same accounting policies and methods of application as our most recent annual consolidated financial statements. Accordingly, they should be read in conjunction with our most recent annual financial statements and the basis of going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

These condensed interim financial statements were approved by the Board of Directors on January 24, 2019.

Going concern assumption

The condensed interim financial statements have been prepared on the historical cost basis, except for the financial asset measured at fair value through net income.

These condensed interim 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 \$74,400 for the period ended November 30, 2018 compared to a comprehensive loss of \$289,276 for the period ended November 30, 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. The Company has relied on external sources of debt and equity to fund operations to date. Some of its service providers also have agreed to be partially paid in shares.

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.

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.

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.

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.

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.

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.

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 August 31, 2018, annual statement of income as a loss of \$27,909 resulting from the holding of an investment.

6. ACCOUNTS PAYABLE

	2018	2017
Suppliers accounts and accrued liabilities	\$ 56,131	\$ 116,421
	\$ 56,131	\$ 116,421

As at November 30, 2018, suppliers accounts totalling \$41,814 (2017 - \$220,534) had not been paid at the due date.

7. 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.

7. SHARE CAPITAL (continued)

Authorized share capital

The Company completed the following private placements:

- (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.
- (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.
- (x) On November 20, 2018, the Company completed a private placement by issuing 2,100,000 common share units for an amount of \$105,000. 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 \$77,206 and the warrants a value of \$27,794. The Company also issued 254,978 shares as payment for operating expenses at a value of \$25,498.

7. SHARE CAPITAL (continued)

Warrants

As at November 30, 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%
July, 24, 2018	Issued	850 000	24 months	0.20 \$	22 500 \$	100.00%	1.76%
August 28, 2018	Issued	130 000	24 months	0.20 \$	3 441 \$	100.00%	1.76%
November 20, 2018	Issued	2 100 000	24 months	0.20 \$	25 498 \$	100.00%	1.76%
Balance November 30, 2018		13 160 637		0.20 \$	318 281 \$		

Warrants

Number 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
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
2,100,000	\$0.20	November 20, 2018

The average life of the issued and outstanding warrants was 13 months as at November 30, 2018.

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 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.

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		475 000	\$0.110	0.20	- \$				
	Expired	(475 000)	\$0.110	0.000	- \$				
Outstanding August 31, 2017		-	\$0.000	0.000	- \$				
January 3, 2018	Issued	1 200 000	\$0.100	1.25	\$90 000	100%	1%	0.10 \$	5 years
August 21, 2018	Issued	645 000	\$0.100	1.25	\$48 375	100%	1%	0.10 \$	5 yaers
		1 845 000							
Outstanding November 30, 2018		1 845 000	\$0.100		\$138 375				
Exercisable November 30, 2018		1 845 000	\$0.100						

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.

10. 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*	\$	15,341,386	\$	8,606,488
Elements excluded from the diluted income (loss) per share				
Stock options*	\$	1,845,000	\$	-
Warrants	\$	13,160,637	\$	-

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

For the period ended November 30, 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.

11. 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:

	Three months ended November 30,		2018		2017	
Consulting fees*	\$	30,000	\$	30,000		
Total	\$	30,000	\$	30,000		

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

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

12. 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)	\$ -

13. 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 November 30, 2018, the Company had current liabilities totaling \$56,131 (2017 - \$116,421).

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 period ended November 30, 2018 and 2017, there were no transfers in assessments of financial assets between the different levels.

14. SUBSEQUENT EVENTS

None