

Prime Blockchain Inc.

Financial Statements

As at August 31, 2019 and 2018
(expressed in Canadian dollars)

Together with Independent Auditor's Report

YEARS ENDED AUGUST 31, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Prime Blockchain Inc.,

Opinion

We have audited the financial statements of **PRIME BLOCKCHAIN INC.** (Company), which comprise the statements of financial position as at August 31, 2019 and 2018, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the financial statements, which shows that the Company incurred a net loss of \$502,564 for the year ended August 31, 2019, and, as of that date, the Company's current liabilities exceeded its current assets by \$108,845. This condition, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information is comprised of the information provided in the Management's discussion and analysis report, excluding the financial statements and our auditor's report on these statements.

Our opinion on the financial statements does not extend to the other information and we do not express any form of assurance on this information.

Regarding our audit of the financial statements, our responsibility is to read the other information and, in doing so, to assess whether there is a significant inconsistency between this information and the financial statements, or the understanding we have acquired during the audit, or whether the other information appears to include any material misstatement, in any other way.

If, in the light of the work we have done, we conclude that there is a material misstatement in the other information, we have the obligation to report it. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

INDEPENDENT AUDITOR'S REPORT (continued)

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, the related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Bélanger.

 ¹

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

Québec, Canada
December 17, 2019

¹ CPA auditor, CA, public accountancy permit No. A130437

Prime Blockchain Inc.

STATEMENTS OF FINANCIAL POSITION

	August 31, 2019	August 31, 2018
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,502	\$ 226
Goods and services tax receivable	-	18,932
TOTAL ASSETS	\$ 1,502	\$ 19,158
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable (Note 7)	\$ 105,005	\$ 116,421
Amount payable to a director, without interest	1,281	-
Goods and services tax payable	4,061	-
	110,347	116,421
NEGATIVE SHAREHOLDERS' EQUITY		
Share capital issued (Note 8)	11,539,919	11,202,894
Share capital subscribed	13,333	-
Warrants issued (Note 8)	360,158	292,783
Warrants subscribed	6,667	-
Stock options issued (Note 9)	204,957	138,375
Contributed surplus	659,442	659,442
Deficit	(12,893,321)	(12,390,757)
	(108,845)	(97,263)
TOTAL LIABILITIES AND EQUITY	\$ 1,502	\$ 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 financial statements.

Prime Blockchain Inc.

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

	Note	2019	Years ended August 31, 2018
Revenues		\$ -	\$ -
Expenses			
Office expenses		24,673	25,706
Business development expenses		-	10,010
Travel expenses		24,928	50,373
Consulting fees	9	301,329	382,540
Interest on notes payable		-	948
Other financial fees		816	2,270
Professional fees		105,719	107,653
Listing fees		13,835	30,084
Remuneration of directors	9	37,681	77,775
Total expenses		<u>508,981</u>	<u>687,359</u>
Loss from operations		(508,981)	(687,359)
Gain on settlement of debts		6,417	14,265
Loss resulting from the holding of an investment	5	<u>-</u>	<u>(27,909)</u>
Net loss and comprehensive loss		<u>\$ (502,564)</u>	<u>\$ (701,003)</u>
Loss per share	11		
Basic		\$ (0.03)	\$ (0.07)
Fully diluted		<u>\$ (0.03)</u>	<u>\$ (0.07)</u>

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

Prime Blockchain Inc.

STATEMENTS OF CHANGES IN EQUITY

	Number				Amount								
	Common shares issued	Common shares subscribed	Warrants/ Stock options issued	Warrants subscribed	Total	Share capital issued	Share capital subscribed	Warrants issued	Warrants subscribed	Stock options issued	Contributed surplus	Deficit	Total
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)
Shares issued pursuant to private placements	6,850,000	500,000	6,850,000	500,000	14,700,000	262,125	13,333	67,375	6,667	-	-	-	349,500
Shares issued pursuant to conversion of accounts payable	1,178,493	-	-	-	1,178,493	74,900	-	-	-	-	-	-	74,900
Stock options issued	-	-	2,055,000	-	2,055,000	-	-	-	-	66,582	-	-	66,582
Net loss	-	-	-	-	-	-	-	-	-	-	-	(502,564)	(502,564)
BALANCE as at August 31, 2019	21,014,901	500,000	21,810,637	500,000	43,825,538	\$ 11,539,919	\$ 13,333	\$ 360,158	\$ 6,667	\$ 204,957	\$ 659,442	\$ (12,893,321)	\$ (108,845)

* 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

	2019	Years ended August 31, 2018
OPERATING ACTIVITIES		
Net loss and comprehensive loss	\$ (502,564)	\$ (701,003)
Changes in non-cash working capital items		
Goods and services tax	22,993	(10,852)
Prepaid expenses	-	1,000
Accounts payable	69,901	78,466
Non-cash profit and loss items		
Stock-based compensation	66,582	138,375
Gain on settlement of debts	(6,417)	(14,265)
Amortization of fixed assets	-	2,462
Cash flows from operating activities	<u>(349,505)</u>	<u>(505,817)</u>
FINANCING ACTIVITIES		
Amount payable to a director	1,281	-
Private placements	349,500	511,956
Repayment of a note payable	-	(15,000)
Cash flows from financing activities	<u>350,781</u>	<u>496,956</u>
Increase (decrease) in cash and cash equivalents	1,276	(8,861)
Cash, beginning of year	226	9,087
Cash, end of year	<u>\$ 1,502</u>	<u>\$ 226</u>
Non-monetary transactions		
Issuance of shares as payment for notes payable	\$ -	\$ 529,700
Issuance of shares as payment for accounts payable	\$ 74,900	\$ 182,329

For the year ended August 31, 2019, cash flows from operating activities do not include any interest paid (2018 - \$7,635) nor tax paid.

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2019 and 2018

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, Canada.

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 17, 2019.

Material uncertainty related to going concern

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 \$502,564 for the year ended August 31, 2019 compared to a comprehensive loss of \$701,003 for the year ended August 31, 2018 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.

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, 2019 and 2018

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 (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 are classified and measured according to three categories: at amortized cost, at fair value through other comprehensive income (FVOCI) or at fair value through net income (FVNI). Financial liabilities are classified and measured according to two categories: at amortized cost or at fair value through net income (FVNI).

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2019 and 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

The following table summarizes the changes in the classification of the Company's financial instruments following the adoption of IFRS 9 - Financial Instruments which replaces IAS 39 - Financial Instruments: Recognition and Measurement. The adoption of the new classifications has not led to any adjustments in the measurement of the financial instruments.

Financial assets	Classification with IAS 39	Classification with IFRS 9
Cash and cash equivalents	FVNI	FVNI
Financial liabilities	Classification with IAS 39	Classification with IFRS 9
Accounts payable and amount payable to a director	Other financial liabilities	Amortized cost

Financial assets at fair value through net income

Financial assets measured at FVNI are measured at fair value and profits or losses are recognized in net income.

Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are initially measured at fair value, net of transaction costs. The financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method. Interest expenses are recognized in net income. Upon derecognition, all profits or losses are also recognized in net income.

Impairment of financial assets

Financial assets that are not measured at FVNI are assessed at each reporting date to determine whether there is objective evidence of impairment. The amount of an impairment loss on a financial asset measured at amortized cost is equal to the difference between the carrying value of this asset and the value of the estimated future cash flows discounted at the initial effective interest rate of this asset. Losses are recognized in net income and deducted from the financial assets in an impairment account. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment is reversed through net income.

Share issue expenses

Share issue expenses are recorded in deficit.

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2019 and 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 FINANCIAL STATEMENTS

As at August 31, 2019 and 2018

4. NEW STANDARDS AND INTERPRETATIONS

New accounting standards applied

On September 1, 2018, the Company applied the following standards:

IFRS 9 - Financial Instruments

The Company has applied IFRS 9 - Financial Instruments to its fiscal year beginning September 1, 2018, which is the date of first application. IFRS 9 replaces the guidance of IAS 39 - Financial Instruments: Recognition and Measurement, related to the classification and measurement of financial assets and liabilities, impairment as well as the general requirements for hedge accounting. The Company has applied the provisions of IFRS 9 retrospectively. The Company has elected not to restate the financial information of the corresponding periods, as permitted by the standard. The comparative financial statements are presented according to IAS 39 and, consequently, cannot be compared to the financial information for the year ended August 31, 2019. As a consequence of IFRS 9, amendments were made to IFRS 7 - Financial Instruments: Disclosures which require extensive disclosures, both quantitative and qualitative, arising from IFRS 9 which were also adopted by the Company for the fiscal year beginning September 1, 2018.

The adoption of IFRS 9 has resulted in changes in accounting methods for two main areas: classification and measurement and impairment. The new methods have been applied from September 1, 2018.

The adoption of IFRS 9 did not result in any adjustments in the measurement of financial assets and liabilities.

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the International Accounting Standards Board (IASB) issued IFRS 15 - Revenue from Contracts with Customers to replace IAS 18 - Revenue and IAS 11 - Construction Contracts. This new standard provides guidance on the method to be used and when to recognize revenue as per a unique model, with the exception of leases, financial instruments and insurance contracts. This standard is retrospectively applicable from January 1, 2018. This new standard did not have any impact on the Company's financial statements.

IFRS 2 - Share-based Payment

In June 2016, the 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 did not have any impact on the Company's financial statements.

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2019 and 2018

4. NEW STANDARDS AND INTERPRETATIONS (continued)

New standards and interpretations not yet effective

The IASB and the International Financial Reporting Interpretation Committee (IFRIC) have published new standards whose application will be mandatory for fiscal years beginning after September 1, 2019 or subsequent years. Many of these new accounting policies do not apply to the Company, so they are not discussed below.

IFRS 9 - Financial Instruments

The IASB issued the document "Prepayment Features with Negative Compensation" (amendments to IFRS 9).

The amendments to IFRS 9, issued by the IASB in October 2017, clarify the fact that a negative compensation can be considered as a reasonable compensation, regardless of the cause of early termination. Financial assets that include prepayment features can be measured at amortized cost or at fair value through other comprehensive income as long as they respect the relevant provisions of IFRS 9.

These amendments will be applicable to the fiscal years beginning on or after April 1, 2019. The Company has assessed that the application of these amendments to IFRS 9 will have no impact on its 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 - Leases and the distinction between operating and finance leases is retained. This standard will apply to fiscal years beginning on or after January 1, 2019. This standard will not have any significant impact on the Company's financial statements.

IFRIC 23 - Uncertainty over Income Tax Treatments

In June 2017, the 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.

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2019 and 2018

5. LOSS RESULTING FROM THE HOLDING OF AN INVESTMENT

On March 15, 2018, the Company acquired all of the shares of Gestion La Marino Inc., 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, in August 2018, 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.

6. INCOME TAXES

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

	2019	2018
Deferred tax assets		
Tax losses	\$ 1,282,808	\$ 1,174,230
Intangible assets and others	13,611	15,140
	1,296,419	1,189,370
Valuation allowance	(1,296,419)	(1,189,370)
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:

	2019	2018
Loss before income taxes	\$ (502,564)	\$ (701,003)
Taxes at the combined federal and provincial rate of 26.6% (2018 - 26.7%)	\$ (133,682)	\$ (187,168)
Non-deductible expenses	20,596	51,378
Valuation allowance	107,049	130,752
Rate differential and others	6,037	5,038
Income taxes	\$ -	\$ -

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2019 and 2018

6. INCOME TAXES (continued)

Non-capital losses

As at August 31, 2019, the non-capital losses available to reduce taxes in future years are of \$4,857,900 at the federal level and \$4,817,000 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 -	\$ 162,200	\$ 160,100
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
2038 -	\$ 437,100	\$ 427,000

7. ACCOUNTS PAYABLE

	2019	2018
Suppliers accounts and accrued liabilities	\$ 105,005	\$ 116,421

As at August 31, 2019, suppliers accounts totalling \$33,290 (2018 - \$39,042) due under the specified terms had not been repaid at due date.

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2019 and 2018

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) common 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) common 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) common 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 common 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 common shares as payment for operating expenses at a value of \$32,790.

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2019 and 2018

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 common 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 common 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 common shares as payment for operating expenses at a value of \$10,886.
- (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 \$86,066 and the warrants a value of \$18,934. The Company also issued 254,978 common shares as payment for operating expenses at a value of \$25,498.
- (xi) On January 14, 2019, the Company completed a private placement by issuing 650,000 common share units for an amount of \$32,500. 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 \$26,639 and the warrants a value of \$5,861. The Company also issued 94,752 common shares as payment for operating expenses at a value of \$9,475.
- (xii) On March 18, 2019, the Company completed a private placement by issuing 1,700,000 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 \$69,672 and the warrants a value of \$15,328. The Company also issued 241,613 common shares as payment for operating expenses at a value of \$10,569.
- (xiii) On May 23, 2019, the Company completed a private placement by issuing 1,100,000 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 \$45,082 and the warrants a value of \$9,918. The Company also issued 476,854 common shares as payment for operating expenses at a value of \$23,843.

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2019 and 2018

8. SHARE CAPITAL (continued)

Authorized share capital

The Company completed the following private placements:

- (xiv) On August 20, 2019, the Company completed a private placement by issuing 1,300,000 common share units for an amount of \$52,000. 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 five years. The shares had a value of \$34,666 and the warrants a value of \$17,334. The Company also issued 110,296 common shares as payment for operating expenses at a value of \$5,515.

See also Note 5.

Warrants

As at August 31, 2019, the issued and outstanding warrants to purchase shares gave the holders the right to subscribe to an equal number of common shares as follows:

Transaction	Number of warrants	Term*	Exercise price	Assumptions used			
				Value in dollars	Volatility	Risk-free rate	Share price
Balance as at August 31, 2017	-			\$ -			
September 15, 2017	Issued 5,502,000	60 months	\$ 0.20	145,641	100%	1.76%	\$ 0.10
September 29, 2017	Issued 734,900	60 months	\$ 0.20	19,453	100%	1.76%	\$ 0.10
November 28, 2017	Issued 1,393,737	60 months	\$ 0.20	36,893	100%	1.76%	\$ 0.10
January 18, 2018	Issued 1,000,000	60 months	\$ 0.20	26,471	100%	1.76%	\$ 0.10
February 15, 2018	Issued 550,000	60 months	\$ 0.20	14,560	100%	1.76%	\$ 0.10
May 24, 2018	Issued 900,000	60 months	\$ 0.20	23,824	100%	1.76%	\$ 0.10
July 24, 2018	Issued 850,000	60 months	\$ 0.20	22,500	100%	1.76%	\$ 0.10
August 28, 2018	Issued 130,000	60 months	\$ 0.20	3,441	100%	1.76%	\$ 0.10
Balance as at August 31, 2018	11,060,637			\$ 292,783			
November 20, 2018	Issued 2,100,000	60 months	\$ 0.20	18,934	100%	1.76%	\$ 0.05
January 14, 2019	Issued 650,000	60 months	\$ 0.20	5,861	100%	1.76%	\$ 0.05
March 18, 2019	Issued 1,700,000	60 months	\$ 0.20	15,328	100%	1.76%	\$ 0.05
May 23, 2019	Issued 1,100,000	60 months	\$ 0.20	9,918	100%	1.76%	\$ 0.05
August 20, 2019	Issued 1,300,000	60 months	\$ 0.20	17,334	100%	1.76%	\$ 0.04
Balance as at August 31, 2019	17,910,637			\$ 360,158			

* On June 10, 2019, the Company has extended the term of the warrants from 24 months to 60 months.

The value of the warrants was determined according to the Black & Scholes pricing model.

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2019 and 2018

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, 2022
734,900	\$0.20	September 29, 2022
1,393,737	\$0.20	November 28, 2022
1,000,000	\$0.20	January 18, 2023
550,000	\$0.20	February 15, 2023
900,000	\$0.20	May 24, 2023
850,000	\$0.20	July 24, 2023
130,000	\$0.20	August 28, 2023
2,100,000	\$0.20	November 20, 2023
650,000	\$0.20	January 14, 2024
1,700,000	\$0.20	March 18, 2024
1,100,000	\$0.20	May 23, 2024
1,300,000	\$0.20	August 20, 2024

The average life of the issued and outstanding warrants was 3,7 years as at August 31, 2019.

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.

Under the option plan, 2,055,000 options (2018 - 1,845,000) were granted during the year for a value of \$66,582 (2018 - \$138,375), according to the Black & Scholes option pricing model, of which \$28,901 (2018 - \$60,600) were recognized as consulting fees and \$37,681 (2018 - \$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.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2019 and 2018

9. STOCK OPTIONS (continued)

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

	Transaction	Number of options	Weighted average exercise price	Remaining contractual term in years	Fair value in dollars	Assumptions used			
						Volatility	Risk-free rate	Share price	Term
Outstanding as at August 31, 2017		-			\$ -				
March 15, 2018	Issued	1,200,000	\$ 0.10	3.54	90,000	100%	1.5%	\$ 0.10	5 years
August 21, 2018	Issued	645,000	\$ 0.10	3.98	48,375	100%	1.5%	\$ 0.10	5 years
Outstanding as at August 31, 2018		1,845,000	\$ 0.10		138,375				
June 1, 2019	Issued	2,055,000	\$ 0.10	4.76	66,582	100%	1.5%	\$ 0.05	5 years
Outstanding as at August 31, 2019		3,900,000	\$ 0.10		\$ 204,957				
Exercisable as at August 31, 2019		3,900,000	\$ 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:

	2019		2018	
Basic weighted average number of common shares outstanding	\$	16,643,582	\$	9,495,645
Elements excluded from the diluted income (loss) per share				
Stock options	\$	3,900,000	\$	1,845,000
Warrants	\$	17,910,637	\$	11,060,637

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2019 and 2018

11. INCOME (LOSS) PER SHARE (continued)

For the years ended August 31, 2019 and 2018, 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,	
	2019	2018
Consulting fees*	\$ 120,000	\$ 153,225
Remuneration of directors - stock-based compensation	37,681	77,775
Office expense - rent	18,000	6,000
Interest on notes payable	-	1,603
Total	\$ 175,681	\$ 238,603

* Consulting fees for a director 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.

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.

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2019 and 2018

13. FINANCIAL INSTRUMENTS (continued)

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, 2019, the Company had current liabilities totaling \$110,347 (2018 - \$116,421).

Fair value

The carrying amounts of cash, accounts payable and of the amount payable to a director 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 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, 2019 and 2018, there were no transfers in assessments of financial assets between the different levels.

14. SIGNIFICANT EVENT

On June 17, 2019, the Company concluded the negotiations with PotBotics/RYAH (RYAH) by signing a formal letter of intent. On November 12, 2019, the deadline of the formal letter of intent has been extended. The transaction was structured in the form of a reverse takeover of the Company by RYAH. The Company shall purchase all of the shares and other securities of RYAH. The final transaction is subject to the reception of legal and fiscal guarantees as well as for securities. The transaction is also conditional upon the reception of a notice of conditional approval of the listing of the resulting company's shares on the Canadian Stock Exchange (CSE).

At the annual general and special meeting held in August 2019, the following resolutions were adopted :

- Change the name of the Company;
- Consolidate the Company's shares; and
- Create a new class of super-voting shares and amend the articles of the Company so that the common shares of the Company would be converted into subordinated voting shares with one vote per share.

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2019 and 2018

15. SUBSEQUENT EVENTS

On October 25, 2019, the Company issued 2,050,000 common share units at a price of \$0.04 per unit to complete a \$82,000 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 five years. The Company also issued 490,816 shares as payment for operating expenses at a value of \$24,541.

In October, 600,000 options were granted to an executive of the Company, at an exercise price of \$0.10 per share, maturing on October 2, 2024.