

Prime Blockchain Inc.

Financial Statements

As at August 31, 2020 and 2019
(expressed in Canadian dollars)

Together with Independent Auditor's Report

YEARS ENDED AUGUST 31, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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 mentions events or conditions that 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.



Mallette L.L.P.

Partnership of chartered professional accountants

Québec, Canada

November 3, 2020

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

Prime Blockchain Inc.

STATEMENTS OF FINANCIAL POSITION

	August 31, 2020	August 31, 2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 3,179	\$ 1,502
Advance to a director, without interest	50,000	-
TOTAL ASSETS	\$ 53,179	\$ 1,502
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable (Note 6)	\$ 50,966	\$ 105,005
Amount payable to a director, without interest	1,167	1,281
Goods and services tax payable	3,165	4,061
	55,298	110,347
NEGATIVE SHAREHOLDERS' EQUITY		
Share capital issued (Note 7)	11,969,519	11,539,919
Share capital subscribed	606	13,333
Warrants issued (Note 7)	502,836	360,158
Warrants subscribed	394	6,667
Stock options issued (Note 8)	219,657	204,957
Contributed surplus	659,442	659,442
Deficit	(13,354,573)	(12,893,321)
	(2,119)	(108,845)
TOTAL LIABILITIES AND EQUITY	\$ 53,179	\$ 1,502

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	2020	Years ended August 31, 2019
Revenues		\$ -	\$ -
Expenses			
Office expenses		10,531	24,673
Travel and entertainment		21,286	24,928
Consulting fees	11	341,516	301,329
Other financial fees		1,830	816
Professional fees		50,187	105,719
Listing fees		21,202	13,835
Remuneration of directors	11	14,700	37,681
Total expenses		<u>461,252</u>	<u>508,981</u>
Loss from operations		<u>(461,252)</u>	<u>(508,981)</u>
Gain on settlement of debts		-	6,417
Net loss and comprehensive loss		<u>\$ (461,252)</u>	<u>\$ (502,564)</u>
Loss per share	10		
Basic		\$ (0.02)	\$ (0.03)
Fully diluted		<u>\$ (0.02)</u>	<u>\$ (0.03)</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, 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)
Shares issued or subscribed pursuant to private placements	7,555,000	(475,000)	7,555,000	(475,000)	14,160,000	188,311	(12,727)	113,889	(6,273)	-	-	-	283,200
Shares issued pursuant to conversion of accounts payable	6,279,732	-	1,545,000	-	7,824,732	241,289	-	28,789	-	-	-	-	270,078
Stock options issued	-	-	600,000	-	600,000	-	-	-	-	14,700	-	-	14,700
Net loss	-	-	-	-	-	-	-	-	-	-	-	(461,252)	(461,252)
BALANCE as at August 31, 2020	34,849,633	25,000	31,510,637	25,000	66,410,270	\$ 11,969,519	\$ 606	\$ 502,836	\$ 394	\$ 219,657	\$ 659,442	\$ (13,354,573)	\$ (2,119)

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

Prime Blockchain Inc.
STATEMENTS OF CASH FLOWS

	2020	Years ended August 31, 2019
OPERATING ACTIVITIES		
Net loss and comprehensive loss	\$ (461,252)	\$ (502,564)
Changes in non-cash working capital items		
Goods and services tax	(896)	22,993
Accounts payable	216,039	69,901
Non-cash profit and loss items		
Stock-based compensation	14,700	66,582
Gain on settlement of debts	-	(6,417)
Cash flows from operating activities	<u>(231,409)</u>	<u>(349,505)</u>
INVESTING ACTIVITIES		
Advance to a director	(50,000)	-
Cash flows from investing activities	<u>(50,000)</u>	<u>-</u>
FINANCING ACTIVITIES		
Amount payable to a director	(114)	1,281
Private placements	283,200	349,500
Cash flows from financing activities	<u>283,086</u>	<u>350,781</u>
Increase in cash and cash equivalents	1,677	1,276
Cash, beginning of year	<u>1,502</u>	<u>226</u>
Cash, end of year	<u>\$ 3,179</u>	<u>\$ 1,502</u>
Non-monetary transactions		
Issuance of shares and warrants as payment for accounts payable	\$ 270,078	\$ 74,900

For the years ended August 31, 2020 and 2019, cash flows from operating activities do not include any interest paid nor tax paid.

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

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2020 and 2019

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 November 3, 2020.

Basis of measurement

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

Material uncertainty related to going concern

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 \$461,252 for the year ended August 31, 2020 compared to a comprehensive loss of \$502,564 for the year ended August 31, 2019, has accumulated a deficit of \$13,354,573 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 continues its negotiations with PotBotics/RYAH and the process for its listing on the Canadian Securities Exchange (Note 13).

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 reflect the restatements that would be necessary if the going concern assumption was not appropriate, because management feels that the measures described above that the Company took or intends to take will mitigate the effect of the conditions and facts that raise doubt about the appropriateness of this assumption.

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2020 and 2019

2. BASIS OF PRESENTATION (continued)

Functional and presentation currency

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

Use of estimates and judgments

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

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 5).

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.

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2020 and 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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).

The following table summarizes the classification of the Company's financial instruments.

Financial assets	Classification
Cash and cash equivalents	FVNI
Advance to a director	Amortized cost
Financial liabilities	Classification
Accounts payable and amount payable to a director	Amortized cost

Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at fair value at the date on which the Company becomes a party to the contractual provisions of the instrument. They are subsequently measured at amortized cost using the effective interest rate method, net of impairment losses.

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.

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2020 and 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share issue expenses

Share issue expenses are recorded in deficit.

Stock-based compensation and other payments

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

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

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

Income (loss) per share

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

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

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, 2020 and 2019

4. NEW STANDARDS AND INTERPRETATIONS

New accounting standards applied

On September 1, 2019, the Company applied the following standards:

IFRS 9 - Financial Instruments

The amendments to IFRS 9 - Financial Instruments, issued by the International Accounting Standards Board (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. The amendments did not have any 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 new standard did not have any impact on the Company's financial statements.

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, 2020 or subsequent years. Many of these new accounting policies do not apply to the Company, so they are not discussed below.

New future accounting standards

Conceptual Framework for Financial Reporting

On March 29, 2018, the IASB published a comprehensive revision of the Conceptual Framework for Financial Reporting. The IASB decided to revise the Conceptual Framework for Financial Reporting because significant issues were not addressed and some guidance was outdated or unclear. The revised version includes, for example, a new section on evaluation, guidance on the presentation of financial performance and improved definitions of an asset and a liability and guidance to support those definitions. The conceptual framework assists entities in developing their accounting policies when no IFRS applies to a particular situation. The requirements will apply prospectively to financial statements beginning on or after January 1, 2020. This revision will have no impact on the Company's financial statements.

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2020 and 2019

4. NEW STANDARDS AND INTERPRETATIONS (continued)

New future accounting standards

IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

On October 31, 2018, the IASB published an amendment to IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. The amendment, entitled "Definitions of Material", clarifies the definition of material in IAS 1 and the explanations accompanying that definition, and aligns the definitions used in the various IFRS standards. The provisions of this amendment will apply prospectively to financial statements beginning on or after January 1, 2020. This amendment will have no impact on the Company's financial statements.

IAS 37 - Provisions, Contingent Liabilities and Contingent Assets

On May 14, 2020, the IASB issued Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37), amending the standard regarding costs the Company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. These amendments will apply to financial statements beginning on or after January 1, 2022. The Company has not yet assessed the impact of these amendments on its financial statements.

IAS 1 - Presentation of Financial Statements

The IASB published an amendment to IAS 1 - Presentation of Financial Statements. The amendment concerns the classification of liabilities as current or non-current and only affects the presentation of liabilities in the statement of financial position, and not the amount or timing of recognition of any asset, liability income or expense, or the information that entities disclose about those items. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted.

On July 15, 2020, the IASB published an amendment to IAS 1 - Presentation of Financial Statements that postpones the effective date to financial statements beginning on or after January 1, 2023. The Company has not yet assessed the impact of this amendment on its financial statements

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2020 and 2019

5. INCOME TAXES

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

	2020	2019
Deferred tax assets		
Tax losses	\$ 1,398,599	\$ 1,282,808
Intangible assets and others	12,266	13,611
	1,410,865	1,296,419
Valuation allowance	(1,410,865)	(1,296,419)
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:

	2020	2019
Loss before income taxes	\$ (461,252)	\$ (502,564)
Taxes at the combined federal and provincial rate of 26.5% (2019 - 26.6%)	\$ (122,232)	\$ (133,682)
Non-deductible expenses	6,745	20,596
Valuation allowance	114,446	107,049
Rate differential and others	1,041	6,037
Income taxes	\$ -	\$ -

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2020 and 2019

5. INCOME TAXES (continued)

Non-capital losses

As at August 31, 2020, the non-capital losses available to reduce taxes in future years are of \$5,298,700 at the federal level and \$5,248,800 at the provincial level. The Company may take advantage of the tax benefit resulting from the carry-forward of these losses until 2040:

	<u>Federal</u>	<u>Provincial</u>
2026 -	\$ 162,200	\$ 160,100
2027 -	\$ 505,100	\$ 505,100
2028 -	\$ 313,900	\$ 313,900
2029 -	\$ 341,400	\$ 341,400
2030 -	\$ 414,900	\$ 414,900
2031 -	\$ 697,400	\$ 697,400
2032 -	\$ 586,100	\$ 572,600
2033 -	\$ 149,900	\$ 149,900
2034 -	\$ 67,200	\$ 67,200
2035 -	\$ 149,500	\$ 149,500
2036 -	\$ 264,500	\$ 264,500
2037 -	\$ 242,900	\$ 243,800
2038 -	\$ 525,800	\$ 509,700
2039 -	\$ 437,100	\$ 427,000
2040 -	\$ 440,800	\$ 431,800

6. ACCOUNTS PAYABLE

	<u>2020</u>	<u>2019</u>
Suppliers accounts and accrued liabilities	\$ 50,966	\$ 105,005

As at August 31, 2020, suppliers accounts totalling \$35,000 (2019 - \$33,290) due under the specified terms had not been repaid at due date.

7. SHARE CAPITAL

Authorized share capital

Authorized, unlimited in number and without par value

Common shares, participating and voting

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2020 and 2019

7. SHARE CAPITAL (continued)

Authorized share capital

The Company completed the following private placements:

- (i) 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.
- (ii) 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.
- (iii) 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.
- (iv) 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.
- (v) 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.

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2020 and 2019

7. SHARE CAPITAL (continued)

Authorized share capital

The Company completed the following private placements:

- (vi) On October 2, 2019, the Company completed a private placement by issuing 2,050,000 common share units for an amount of \$82,000. 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 \$54,598 and the warrants a value of \$27,402. The Company also issued 490,816 common shares as payment for operating expenses at a value of \$24,510.
- vii) On December 23, 2019, the Company completed a private placement by issuing 1,650,000 common share units for an amount of \$66,000. 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 \$0.075 per share for a period of five years. The shares had a value of \$40,000 and the warrants a value of \$26,000. The Company also issued 292,386 common shares as payment for operating expenses at a value of \$14,619.
- (viii) On April 6, 2020, the Company completed a private placement by issuing 2,100,000 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 \$0.075 per share for a period of five years. The shares had a value of \$51,774 and the warrants a value of \$33,226. The Company also issued 430,994 common shares as payment for operating expenses at a value of \$21,550.
- (ix) On August 24, 2020, the Company completed a private placement by issuing 1,755,000 common share units for an amount of \$70,200. 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 \$0.075 per share for a period of five years. The shares had a value of \$42,545 and the warrants a value of \$27,655. The Company also issued 3,520,536 common shares as payment for operating expenses at a value of \$138,400 and 1,545,000 common shares with warrants as payment for operating expenses, each warrant giving the holder the right to acquire an additional share at a price of \$0.075 per share for a period of five years. The shares had a value of \$42,210 and the warrants a value of \$28,789.

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2020 and 2019

7. SHARE CAPITAL (continued)

Warrants

As at August 31, 2020, the issued and outstanding warrants to purchase shares gave the holders the right to subscribe to an equal number of common shares as follows:

		Assumptions used						
Transaction	Number of warrants	Term	Exercise price	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				
October 2, 2019	Issued 2,050,000	60 months	\$ 0.20	27,402	100%	1.66%	\$ 0.04	
December 23, 2019	Issued 1,650,000	60 months	\$ 0.075	26,000	100%	1.68%	\$ 0.04	
April 6, 2020	Issued 2,100,000	60 months	\$ 0.075	32,832	100%	0.44%	\$ 0.04	
August 24, 2020	Issued 1,755,000	60 months	\$ 0.075	27,655	100%	0.28%	\$ 0.04	
August 24, 2020	Issued 920,000	60 months	\$ 0.075	18,941	100%	0.28%	\$ 0.05	
August 24, 2020	Issued 625,000	60 months	\$ 0.075	9,848	100%	0.28%	\$ 0.04	
Balance as at August 31, 2020	27,010,637			\$ 502,836				

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, 2020 and 2019

7. 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
2,050,000	\$0.20	October 2, 2024
1,650,000	\$0.075	December 23, 2024
2,100,000	\$0.075	April 6, 2025
1,755,000	\$0.075	August 24, 2025
920,000	\$0.075	August 24, 2025
625,000	\$0.075	August 24, 2025

The average life of the issued and outstanding warrants was 3.37 years as at August 31, 2020.

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.

Under the option plan, 600,000 options (2019 - 2,055,000) were granted during the year 2020 for a value of \$14,700 (2019 - \$66,582) of which \$28,901 were recognized as consulting fees and \$37,681 as remuneration of directors), according to the Black & Scholes option pricing model.

For the year 2019, 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, 2020 and 2019

8. 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	2.5	90,000	100%	1.5%	\$ 0.10	5 years
August 21, 2018 Issued	645,000	\$ 0.10	3.0	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	3.8	66,582	100%	1.5%	\$ 0.05	5 years
Outstanding as at August 31, 2019	3,900,000	\$ 0.10		\$ 204,957				
October 2, 2019 Issued	600,000	\$ 0.10	4.1	\$ 14,700	100%	1.34%	\$ 0.04	5 years
Outstanding and exercisable as at August 31, 2020	4,500,000	\$ 0.10		\$ 219,657				

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:

	2020	2019
Basic weighted average number of common shares outstanding	25,734,092	16,643,582
Elements excluded from the diluted income (loss) per share		
Stock options	4,500,000	3,900,000
Warrants	27,010,637	17,910,637

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2020 and 2019

10. INCOME (LOSS) PER SHARE (continued)

For the years ended August 31, 2020 and 2019, 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 are as follows:

	Years ended August 31,	
	2020	2019
Consulting fees*	\$ 232,470	\$ 120,000
Remuneration of directors - stock-based compensation	14,700	37,681
Office expense - rent	6,000	18,000
Total	\$ 253,170	\$ 175,681

* 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.

12. FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk of financial loss for the Company if a counterpart fails to meet its obligations. The maximum credit risk is equal to the Company's cash and advance to a director. The credit risk on cash is limited as the contracting party is a financial institution with a high credit rating. The Company does not expect to be exposed to a higher than normal credit risk with respect to the advance to a director.

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2020 and 2019

12. 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, 2020, the Company had current liabilities totaling \$55,298 (2019 - \$110,347).

Fair value

The carrying amounts of cash, advance to a director, 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, 2020 and 2019, there were no transfers in assessments of financial assets between the different levels.

13. SIGNIFICANT EVENTS

Formal letter of intent

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).

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2020 and 2019

13. SIGNIFICANT EVENTS (continued)

Formal letter of intent

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.

Coronavirus pandemic (COVID-19)

The coronavirus pandemic (COVID-19) results in an economic downturn across all markets, which has potential financial impacts on the Company. To date, this pandemic has not had any major negative consequences of the Company's activities. Negotiations with PotBotics Inc. (PotBotics) continued. The duration and the impact of the pandemic cannot be determined. It is therefore difficult to reliably estimate the potential financial impacts of that uncertainty.

14. SUBSEQUENT EVENTS

On September 14, 2020, the Company completed a private placement by issuing 2,800,000 common share units for an amount of \$112,000, or \$0.04 per unit. 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 \$0.075 per share for a period of five years following the listing on a stock exchange.

On September 14, 2020, the Company entered into a \$100,000 loan agreement with PotBotics. This loan is for a period of twenty-four months from the date of signature and bears an interest of 6% annually, to be calculated yearly and payable at maturity. In the event that the merger of the companies is completed, the loan does not need to be reimbursed.

On September 15, 2020, 300,000 options were granted to an executive of the Company, at an exercise price of \$0.10 per share, maturing in September 15, 2024.

On September 16, 2020, the Company and PotBotics entered into a binding merger agreement pursuant to which the companies intend to complete the business combination transaction previously announced by the Company in a news release dated June 27, 2019. The transaction will result in a reverse takeover of the Company by PotBotics. Together, the companies will carry on the business of PotBotics.

In connection with the transaction, the holders of the issued and outstanding common stock of PotBotics will receive 0.035 super voting shares of the merged companies (the "Super Voting Shares") for each PotBotics' Common Stock held. The Super Voting Shares grant the holders thereof a right to receive one hundred (100) Subordinated Voting Shares upon conversion in accordance with the terms thereof. Further, in connection with the transaction, all outstanding exercisable or convertible securities of PotBotics will automatically adjust in accordance with their terms such that, following the completion of the transaction, the holders of PotBotics' Convertible Securities will be entitled to acquire Super Voting Shares upon exercise or conversion of such PotBotics' Convertible Securities.

Prime Blockchain Inc.

NOTES TO FINANCIAL STATEMENTS

As at August 31, 2020 and 2019

14. SUBSEQUENT EVENTS (continued)

The transaction is an arm's length transaction and is subject to a number of conditions, including, but not limited to:

- (i) the receipt of all required regulatory, corporate, shareholder, stock exchange, and third-party approvals,
- (ii) the completion of a change in the name of the Company to "RYAH Group, Inc.", or such other name as may be requested by PotBotics and acceptable to applicable regulatory authorities, and
- (iii) the completion of the Board and Management Reconstitution.

At the annual general and special meeting of the Company's shareholders held in August 2019, the merger with PotBotics was adopted overwhelmingly by the shareholders. As a consequence of the signing of the merger agreement with PotBotics, the Company will not be consolidating its shares as it had been announced in June, 2019.

The merger agreement marks a significant step forward in PotBotics' plans to complete the transaction and apply for listing of the subordinated voting shares of the merged companies on the Canadian Securities Exchange.