

Prime Blockchain Inc.

Condensed Interim Financial Statements

As at November 30, 2020

(expressed in Canadian dollars)

THREE-MONTH PERIOD ENDED NOVEMBER 30, 2020

Condensed Interim Financial Statements

Condensed Interim Statement of Financial Position	3
Condensed Interim Statement of Net Income (Loss) and Comprehensive Income (Loss)	4
Condensed Interim Statement of Changes in Equity	5
Condensed Interim Statement of Cash Flows	6
Notes to Condensed Interim Financial Statements	7

Prime Blockchain Inc.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

(Unaudited, in Canadian dollars)

	November 30, 2020	August 31, 2020
ASSETS		
CURRENT ASSETS		
Cash	\$ 959,540	\$ 3,179
Goods and services tax receivable	11,277	-
Advance to a director, without interest	53,128	50,000
	1,023,945	53,179
NON-CURRENT ASSETS		
Other receivables (Note 5)	502,811	-
TOTAL ASSETS	\$ 1,526,756	\$ 53,179
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable (Note 6)	\$ 77,643	\$ 50,966
Amount payable to a director, without interest	-	1,167
Goods and services tax payable	-	3,165
	77,643	55,298
NEGATIVE SHAREHOLDERS' EQUITY		
Share capital issued (Note 7)	12,037,739	11,969,519
Share capital subscribed	877,576	606
Warrants issued (Note 7)	546,616	502,836
Warrants subscribed	570,424	394
Stock options issued (Note 8)	227,007	219,657
Contributed surplus	659,442	659,442
Deficit	(13,469,691)	(13,354,573)
	1,449,113	(2,119)
TOTAL LIABILITIES AND EQUITY	\$ 1,526,756	\$ 53,179

On behalf of the Board,

(s) Serge Beausoleil _____, Director

(s) Eugenio Noel Cuesta _____, Director

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

Prime Blockchain Inc.

CONDENSED INTERIM STATEMENT OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(Unaudited, in Canadian dollar)

	Note	2020	Period ended November 30, 2019
Revenues		\$ 2,811	\$ -
Expenses			
Office expenses		3,639	4,820
Travel and entertainment		1,504	4,172
Consulting fees	11	76,335	61,760
Other financial fees		777	192
Professional fees		17,890	12,940
Listing fees		10,434	7,494
Remuneration of directors	11	7,350	19,440
Total expenses		<u>117,929</u>	<u>110,818</u>
Net loss and comprehensive loss		<u>\$ (115,118)</u>	<u>\$ (110,818)</u>
Loss per share	10		
Basic		\$ (0.003)	\$ (0.05)
Fully diluted		<u>\$ (0.003)</u>	<u>\$ (0.05)</u>

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

Prime Blockchain Inc.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

(Unaudited, in Canadian dollar)

	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, 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 pursuant to private placements	2,050,000	(500,000)	2,050,000	(500,000)	3,100,000	68,000	(13,333)	34,000	(6,667)	-	-	-	82,000
Shares issued pursuant to conversion of accounts payable	490,816	-	-	-	490,816	24,510	-	-	-	-	-	-	24,510
Stock options issued	-	-	600,000	-	600,000	-	-	-	-	19,440	-	-	19,440
Net loss	-	-	-	-	-	-	-	-	-	-	-	(110,818)	(110,818)
BALANCE as at November 30, 2019	23,555,717	-	24,460,637	-	48,016,354	11,632,429	-	394,158	-	224,397	659,442	(13,004,139)	(93,713)
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)
Shares issued or subscribed pursuant to private placements	2,800,000	36,175,000	2,800,000	36,175,000	77,950,000	68,220	876,970	43,780	570,030	-	-	-	1,559,000
Stock options issued	-	-	300,000	-	300,000	-	-	-	-	7,350	-	-	7,350
Net loss	-	-	-	-	-	-	-	-	-	-	-	(115,118)	(115,118)
BALANCE as at November 30, 2020	37,649,633	36,200,000	34,610,637	36,200,000	144,660,270	\$ 12,037,739	\$ 877,576	\$ 546,616	\$ 570,424	\$ 227,007	\$ 659,442	\$ (13,469,691)	\$ 1,449,113

* As at November 30, 2020, the issuance of 27,675,000 common shares subscribed and of 27,675,000 warrants subscribed is conditional to the listing of the Company on the Canadian Securities Exchange.

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

Prime Blockchain Inc.

CONDENSED INTERIM STATEMENT OF CASH FLOWS

(Unaudited, in Canadian dollar)

	2020	Period ended November 30, 2019
OPERATING ACTIVITIES		
Net loss and comprehensive loss	\$ (115,118)	\$ (110,818)
Changes in non-cash working capital items		
Goods and services tax	(14,442)	(613)
Prepaid expenses	-	(4,053)
Accounts payable	26,677	12,686
Non-cash profit and loss items		
Interest on amounts due	(2,811)	-
Stock-based compensation	7,350	19,440
Cash flows from operating activities	(98,344)	(83,358)
INVESTING ACTIVITIES		
Advance to a director	(4,295)	-
Other receivables	(500,000)	-
Cash flows from investing activities	(504,295)	-
FINANCING ACTIVITIES		
Private placements	1,559,000	82,000
Cash flows from financing activities	1,559,000	82,000
Increase (decrease) in cash and cash equivalents	956,361	(1,358)
Cash, beginning of period	3,179	1,502
Cash, end of period	\$ 959,540	\$ 144
Non-monetary transaction		
Issuance of shares and warrants as payment for accounts payable	\$ -	\$ 24,510

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

Prime Blockchain Inc.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As at November 30, 2020

(Unaudited, in Canadian dollars)

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.

In September 2020, the company Ryah Acquisition Corp. was created for the intended transaction with Potbotics Inc. This company has not carried out any activities since its inception (Note 13).

2. BASIS OF PRESENTATION

Declaration of compliance

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

These condensed interim financial statements were approved by the Board of Directors on February 28, 2021.

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 \$115,118 for the period ended November 2020 compared to a comprehensive loss of \$110,818 for the period ended November 30, 2019, has accumulated a deficit of \$13,469,691 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 merger activities with PotBotics/RYAH and the process for its listing on the Canadian Securities Exchange (Notes 13 and 14).

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.

Prime Blockchain Inc.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As at November 30, 2020

(Unaudited, in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

Material uncertainty related to going concern

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.

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;
- Deferred income taxes;
- Value of other receivables.

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.

Prime Blockchain Inc.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As at November 30, 2020

(Unaudited, in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

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

Revenue recognition

Interest income is recognized when earned.

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).

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
Other receivables	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.

Prime Blockchain Inc.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As at November 30, 2020

(Unaudited, in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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.

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.

Prime Blockchain Inc.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As at November 30, 2020

(Unaudited, in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 period.

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.

4. NEW STANDARDS AND INTERPRETATIONS

New accounting standards applied

On September 1, 2020, the Company applied the following standards:

Conceptual Framework for Financial Reporting

On March 29, 2018, the International Accounting Standards Board (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. This revision did not have any impact on the Company's financial statements.

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

Prime Blockchain Inc.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As at November 30, 2020

(Unaudited, in Canadian dollars)

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 2021 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

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.

5. OTHER RECEIVABLES

During the period and following the signature of the Merger and Plan of Merger Agreement, the Company advanced, at various times, \$500,000 to Potbotics Inc. (Potbotics). In exchange for receiving these funds, Potbotics issued to the Company promissory notes in same amounts to the Company. These notes have a maturity of twenty-four (24) months from their date of issuance. They bear interest at six percent (6%) per annum payable on maturity together with the principal if the companies have not merged by that date. Following the merger, these notes will be cancelled.

Prime Blockchain Inc.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As at November 30, 2020

(Unaudited, in Canadian dollars)

6. ACCOUNTS PAYABLE

	November 30, 2020	August 31, 2020
Suppliers accounts and accrued liabilities	\$ 77,643	\$ 50,966

As at November 30, 2020, supplier accounts totalling \$35,000 (August 31, 2020 - \$35,000) 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

The Company completed the following private placements:

- (i) 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.
- (ii) 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.
- (iii) 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.
- (iv) 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 CONDENSED INTERIM FINANCIAL STATEMENTS

As at November 30, 2020

(Unaudited, in Canadian dollars)

7. SHARE CAPITAL (continued)

Authorized share capital

- (v) On September 14, 2020, the Company completed a private placement by issuing 2,800,000 common share units for an amount of \$112,000. 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 \$68,220 and the warrants a value of \$43,780.
- (vi) As at November 30, 2020, the Company had collected an amount of \$1,447,000 from investors which were to be converted in December 2020 by the issuance of 36,175,000 units. 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 \$876,970 and the warrants a value of \$570,030.

Warrants

As at November 30, 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				
September 14, 2020	Issued 2,800,000	60 months	\$ 0.075	43,780	100%	0.25%	\$ 0.04	
Balance as at November 30, 2020	29,810,637			546,616				

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

Prime Blockchain Inc.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As at November 30, 2020

(Unaudited, in Canadian dollars)

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
2,800,000	\$0.075	September 14, 2025

The average life of the issued and outstanding warrants was 3.12 years as at November 30, 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 four or five years from the date of the grant.

Under the option plan, 300,000 options (November 30, 2019 - 600,000) were granted during the period ended November 30, 2020 for a value of \$7,350 (November 30, 2019 - \$19,440) (recognized as remuneration of directors), according to the Black & Scholes option pricing model.

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 CONDENSED INTERIM FINANCIAL STATEMENTS

As at November 30, 2020

(Unaudited, in Canadian dollars)

8. STOCK OPTIONS (continued)

Stock option plan

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

						Assumptions used				
Transaction	Number of options	Weighted average exercise price	Remaining contractual term in years	Fair value in dollars	Volatility	Risk-free rate	Share price	Term		
Outstanding as at August 31, 2017	-			\$ -						
March 15, 2018	Issued	1,200,000	\$ 0.10	2.3	\$ 90,000	100%	1.5%	\$ 0.10	5 years	
August 21, 2018	Issued	645,000	\$ 0.10	2.7	\$ 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	3.5	\$ 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	3.8	\$ 14,700	100%	1.34%	\$ 0.04	5 years	
Outstanding and exercisable as at August 31, 2020	4,500,000	\$ 0.10		\$ 219,657						
September 15, 2020	Issued	300,000	\$ 0.10	3.8	\$ 7,350	100%	0.25%	\$ 0.04	4 years	
Outstanding and exercisable as at November 30, 2020	4,800,000	\$ 0.10		\$ 227,007						

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 debt.

Prime Blockchain Inc.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As at November 30, 2020

(Unaudited, in Canadian dollars)

10. INCOME (LOSS) PER SHARE

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

	Period ended November 30,	
	2020	2019
Basic weighted average number of common shares outstanding	37,218,864	22,567,622
Elements excluded from the diluted income (loss) per share		
Stock options	4,800,000	4,500,000
Warrants	29,810,637	19,960,637

For the period ended November 30, 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 periods are as follows:

	Period ended November 30,	
	2020	2019
Consulting fees*	\$ 30,000	\$ 30,000
Remuneration of directors - stock-based compensation	7,350	19,440
Office expense - rent	-	3,000
Total	\$ 37,350	\$ 52,440

* 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.

Prime Blockchain Inc.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As at November 30, 2020

(Unaudited, in Canadian dollars)

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, advance to a director and other receivables. 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 and other receivables. For other receivables, if the transaction mentioned in Note 13 does not materialize, the credit risk will be higher.

Liquidity risk

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

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

As at November 30, 2020, the Company had current liabilities totaling \$77,643 (August 31, 2020 - \$55,298).

Fair value

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

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

Level 1 - Prices (unadjusted) in active markets for identical assets and liabilities;

Level 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 periods ended November 30, 2020 and 2019, there were no transfers in assessments of financial assets between the different levels.

Prime Blockchain Inc.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As at November 30, 2020

(Unaudited, in Canadian dollars)

13. SIGNIFICANT EVENTS

Formal letter of intent and Signature of Merger and Plan of Merger Agreement

On June 17, 2019, the Company concluded the negotiations with PotBotics/RYAH (Potbotics) by signing a formal letter of intent. On November 12, 2019, the deadline of the formal letter of intent was extended. The transaction was structured in the form of a reverse takeover of the Company by Potbotics. The Company shall purchase all the shares and other securities of Potbotics. The final transaction is subject to the receipt of legal and fiscal guarantees as well as for securities. The transaction is also conditional upon the receipt of a notice of conditional approval of the listing of the resulting company's shares on the Canadian Securities Exchange (CSE). The Merger and Plan of Merger Agreement was formally signed between the parties on September 16, 2020.

At the annual general and special meeting held in August 2019, the following resolutions were adopted, but remain to be fulfilled:

- Change of the name of the Company;
- Consolidation of the Company's shares; and
- Creation of 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. At the date of the report, this pandemic has not had any major negative consequences of the Company's activities. Negotiations with PotBotics continued and have now entered their final stages and should lead to the listing of the combined companies' shares on the CSE. 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

As stated in the Merger and Plan of Merger Agreement, the parties amended some of the merger conditions. The Company agreed to take the responsibility of raising the funds required to meet the CSE listing approval conditions, which also includes supplying sufficient funds to the resulting issuer so it can meet its operational needs for the first year. In exchange, Potbotics agreed to cancel the requirement to see the Company consolidate its shares and to change the number of subordinate voting shares to be issued in exchange for the Company's shares at the time of the merger.

The Company agreed to finance Potbotics operations and cash needs until the formal merger and the listing of the Company's shares on the CSE. The Company agreed to finance an amount of \$2.8 million. Potbotics also allowed the Company to issue a sufficient number of shares so it could meet its operational needs and financial obligations. The final figure is to be determined by the number of shares issued and outstanding in the Company after completing financings so it could meet these requirements.

Prime Blockchain Inc.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As at November 30, 2020

(Unaudited, in Canadian dollars)

14. SUBSEQUENT EVENTS (continued)

On December 1, 2020, the Company completed a private placement by issuing 13,166,843 common shares and common share units. Of this amount, the Company raised \$500,000 through the issuance of 12,500,000 common share units. 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. An additional 666,843 shares were issued in payment for services rendered to the Company by consultants for a value of \$26,673. No warrants were issued as part of this compensation.

On December 15, 2020, the Company completed a private placement by issuing 48,000,000 common share units for an amount of \$1,920,000. 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.

As at November 30, 2020, the Company has cashed an amount of \$1,447,000 from the private placements of December 1, 2020 and December 15, 2020, and has consequently recognized shares subscribed but not issued in the amount of \$876,970 and warrants subscribed but not issued in the amount of \$570,030.

On January 14, 2021, the Company completed a private placement by issuing 41,549,735 common shares and common share units. Of this amount, the Company raised \$1,650,400 through the issuance of 41,260,000 common share units. 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. An additional 289,735 shares were issued in payment for services rendered to the Company by consultants for a value of \$11,589. No warrants were issued as part of this compensation.

On January 25, 2021, the Company completed a private placement by issuing 20,239,148 common shares and common share units. Of this amount, the Company raised \$800,000 through the issuance of 20,000,000 common share units. 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. An additional 239,148 shares were issued in payment for services rendered to the Company by consultants for a value of \$9,565. No warrants were issued as part of this compensation.

From these subscriptions, subscriptions totalling 109,260,000 shares and warrants are conditional to the listing of the Company on the Canadian Securities Exchange. If this condition is not met, the cashed amounts will be reclassified in liabilities.

During the period and following the signature of the Merger and Plan of Merger Agreement, the Company advanced \$500,000 to Potbotics. In exchange for receiving these funds, Potbotics issued to the Company promissory notes in same amount. Following the merger, these notes will be cancelled (Note 5).

Since the end of the period, the Company advanced an additional \$300,000 to Potbotics under the same conditions and it advanced an amount of \$97,100 to Boris Goldstein, Potbotics' chairman, under the same conditions. Following the merger, these notes will be cancelled.

At the end of the period, an amount of \$50,000 is shown as having been advanced to M. Beausoleil, the Company's President. Since that time, this advance has been reimbursed by Mr. Beausoleil.