

POTBOTICS INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in US Dollars)

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Potbotics Inc.

Opinion

We have audited the consolidated financial statements of Potbotics Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 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 1 to the financial statements. As stated in Note 1, events and conditions 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 comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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.

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.



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

June 22, 2021

POTBOTICS INC.
Consolidated Statements of Financial Position
December 31, 2020
(Expressed in US Dollars)

	Notes	2020	2019
<u>ASSETS</u>			
CURRENT ASSETS			
Cash		\$ 153,285	\$ 35,792
Marketable securities		148	584
Prepaid expenses		7,034	11,609
Inventories	5	144,836	173,333
		305,303	221,318
NON-CURRENT ASSETS			
Equipment	4	7,501	8,585
TOTAL ASSETS		\$ 312,804	\$ 229,903
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	11	\$ 836,886	\$ 638,315
Due to related party	9	213,516	5,200
Lease liability	7	10,220	4,642
Convertible notes	6	38,276	30,103
Loans from related parties	9	188,377	228,443
Loans payable	10	18,916	-
Shares to be issued	8	25,000	-
		1,331,191	906,703
NON-CURRENT LIABILITIES			
Convertible notes	6	83,349	-
Loans from related parties	9	-	633,717
Loans payable	10	644,067	-
TOTAL LIABILITIES		2,058,607	1,540,420
SHAREHOLDERS' EQUITY			
Share capital	8	24,974,695	23,154,282
Reserves		699,362	463,595
Accumulated deficit		(27,419,860)	(24,928,394)
TOTAL SHAREHOLDER'S EQUITY		(1,745,803)	(1,310,517)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 312,804	\$ 229,903
Nature and continuance of operation (Note 1)			
Subsequent events (Notes 1 and 14)			

The accompanying notes are an integral part of these consolidated financial statements

POTBOTICS INC.
Consolidated Statements of Comprehensive Loss
For the years ended December 31, 2020 and 2019
(Expressed in US Dollars)

	Notes	2020	2019
Revenues		\$ 42,832	\$ 3,531
Cost of sales	5	(28,696)	(3,107)
Gross profit		14,136	424
Operating expenses			
Accretion expense	6, 9, 10	103,513	118,733
Consulting fees	8, 9	854,828	793,426
Depreciation expense	4	30,261	26,526
General and administrative		15,551	38,966
Insurance expenses		19,837	24,568
Interest Expense	9, 10	72,033	21,151
Licences and subscriptions		9,805	15,495
Marketing	9	77,294	149,501
Occupancy expenses		1,935	8,980
Payroll expenses	9	232,012	229,501
Professional fees		295,960	429,973
Research and development	9	131,641	418,092
Travel		3,573	38,812
Total operating expenses		(1,848,243)	(2,313,724)
Other items			
Income from government assistance	10	8,823	
Other income		14,467	17,189
Other expense		(26,710)	(605)
Loss on change in fair value of marketable securities		(436)	(2,332)
Loss on settlement of debt	8	(652,192)	-
NET AND COMPREHENSIVE LOSS		\$ (2,490,155)	\$ (2,299,048)
Basic and diluted loss per common share		\$ (0.03)	\$ (0.03)
Basic and diluted weighted average number of common shares outstanding		80,962,091	77,647,411

The accompanying notes are an integral part of these consolidated financial statements

POTBOTICS INC.
Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2020 and 2019
(Expressed in US Dollars)

	Number of Common Shares	Share Capital	Reserves					Total Shareholders' Equity
			Equity component of convertible notes	Option reserve	Contributed Capital	Warrant reserves	Accumulated Deficit	
As at December 31, 2018	75,981,661	\$ 22,228,896	\$ 91,496	\$ -	\$ 132,766	\$ 37,739	\$ (22,621,581)	\$ (130,684)
Issuance of common shares for cash, net	231,509	131,294	-	-	-	-	-	131,294
Issuance of common shares for consulting services	1,244,781	709,525	-	-	-	-	-	709,525
Issuance of additional common shares to existing shareholders	7,765,186	7,765	-	-	-	-	(7,765)	-
Issuance of loans at a discount	-	-	-	-	278,396	-	-	278,396
Reclass of equity portion of convertible notes to share capital	-	76,802	(76,802)	-	-	-	-	-
Net loss	-	-	-	-	-	-	(2,299,048)	(2,299,048)
As at December 31, 2019	85,223,137	\$ 23,154,282	\$ 14,694	\$ -	\$ 411,162	\$ 37,739	\$ (24,928,394)	\$ (1,310,517)
Cash received for common shares not issued yet	-	-	-	-	-	-	-	25,000
Issuance of common shares for consulting services	525,000	299,250	-	-	-	-	-	299,250
Issuance of additional common shares to existing shareholders	1,310,687	1,311	-	-	-	-	(1,311)	-
Conversion of loans from related parties to common shares	2,238,597	1,519,852	-	-	(243,852)	-	-	1,276,000
Option grant	-	-	-	454,506	-	-	-	454,506
Issuance of convertible note / equity portion	-	-	25,113	-	-	-	-	25,113
Net loss	-	-	-	-	-	-	(2,490,155)	(2,490,155)
As at December 31, 2020	89,297,421	\$ 24,974,695	\$ 39,807	\$ 454,506	\$ 167,310	\$ 37,739	\$ (27,419,860)	\$ (1,745,803)

The accompanying notes are an integral part of these consolidated financial statements

POTBOTICS INC.**Consolidated Statements of Cash Flows****For the years ended December 31, 2020 and 2019****(Expressed in US Dollars)**

	2020	2019
Cash flows used in operating activities		
Net loss	\$ (2,490,155)	\$ (2,299,048)
Adjustments for:		
Accretion expenses	103,513	118,733
Consulting fees paid in shares	299,250	709,525
Depreciation	30,261	26,526
Gain on change in fair value of marketable securities	436	2,332
Income from government assistance	(8,823)	-
Interest expense	59,015	21,151
Loss on settlement of related party loan	652,192	-
Share-based compensation	454,506	-
Changes in non-cash working capital items:		
Prepaid expenses	4,575	89,709
Inventories	28,497	(173,333)
Due to related party	211,462	(13,794)
Accrued liabilities and other payables	167,806	215,590
Net cash used in operating activities	(487,465)	(1,302,609)
Cash flows from investing activities:		
Repayment of lease liability	(24,060)	(23,275)
Net cash used in investing activities	(24,060)	(23,275)
Cash flows from financing activities:		
Proceeds from issuance of convertible notes	100,000	-
Cash received for common shares not issued yet	25,000	-
Proceeds from government loan	35,500	-
Proceeds from related party loans	-	954,490
Proceeds from issuance of shares, net of issuance cost	-	131,294
Proceeds from issuance of notes payable	626,018	-
Repayment of related party loans	(157,500)	(254,314)
Net cash from financing activities	629,018	831,470
Net increase / (decrease) in cash	117,493	(494,414)
Cash beginning of year	35,792	530,206
Cash end of the year	\$ 153,285	\$ 35,792

The accompanying notes are an integral part of these consolidated financial statements

POTBOTICS INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in US Dollars)

1. Nature and continuance of operations

Potbotics Inc. (“Potbotics” or the “Company”) was incorporated on February 12, 2014, under the laws of Florida. The principal business of the Company is the use of artificial intelligence, data mining, and cloud technology in order to create products, services, and predictive data insights for the medical cannabis industry. The address of the registered records office of the Company is located at 205 East 42nd Street, 14th floor, New York, NY 10017.

On February 1, 2019, the Company entered into a contribution agreement with Ryah MedTech Inc. (“Ryah”), a Florida Corporation, whereby the Company contributed all assets and liabilities related to the Ryah dose-measuring vaporizer in exchange for 100 shares, or 100% of the issued and outstanding shares, of Ryah common stock. As a result of this transaction Ryah became a 100% wholly owned subsidiary of the Company

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2020, the Company has incurred accumulated losses of \$27,419,860 (2019 – \$24,928,394), has limited resources, no sources of operating cash flow and no assurances that sufficient funding will be available to continue operations for an extended period of time. The Company’s continuation as a going concern is dependent on its ability to generate future cash flows and/or obtain additional financing. These factors indicate the existence of a material uncertainty that may cast significant doubt as to the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand, loans from directors and companies controlled by directors and/or private placements of common stock. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used, that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

Merger

On September 9, 2020, Prime, Merger Sub, a wholly-owned subsidiary of Prime Blockchain Inc. (“Prime”, a Canadian reporting issuer), and Potbotics entered into a merger agreement. Pursuant to the terms of the merger agreement and in accordance with the provisions of the Florida Business Corporations Act, on April 21, 2021, Merger Sub merged with and into Potbotics (the “Merger”). As a result of the Merger, the separate corporate existence of Merger Sub ceased, and Potbotics continued as the surviving corporation and a wholly-owned subsidiary of Prime. Upon consummation of the Merger, Prime filed articles of amendment with the Director under the CBCA to change its corporate name to “RYAH

POTBOTICS INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in US Dollars)

1. Nature and continuance of operations (continued)

Merger (continued)

Group, Inc.”, and each shareholder of Potbotics received 0.035 Super Voting Share for each Potbotics Share held. As a result of the merger, former shareholders of Potbotics held 2,920,019 Super Voting Shares of Prime, representing 100% of the issued and outstanding Super Voting Shares. The Super Voting Shares entitle the holder to 100 votes at shareholder meetings per one Super Voting Share. In addition, the Super Voting Shares can be converted at the option of the holder into 100 subordinate voting shares of Prime (the “Super Voting Shares”). At the close of the merger, Prime had a total of 201,576,818 subordinate voting shares issued and outstanding. As a result of the merger, former shareholders of Potbotics control 59.2% of the issued and outstanding voting shares.

After the completion of the Merger, the resulting issuer is listed on the CSE under the trading symbol “RYAH”.

2. Statement of Compliance and Basis of Presentation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Reporting Interpretation Committee (“IFRIC”) for all periods presented. These financial statements were authorized for issue by the Board of Directors on June 22, 2021.

(b) Basis of presentation

These financial statements have been prepared on a going concern basis, under the historical cost convention, except for certain financial instruments which may be measured at fair value in subsequent periods, and have been prepared using the accrual basis of accounting except for cash flow information.

These financial statements are presented in US dollars, except when otherwise indicated. The functional currency of each entity is measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the US dollar.

3. Significant Accounting Policies

a) Critical Accounting Estimates and Judgements

The preparation of these financial statements in accordance with IFRS requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses.

POTBOTICS INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in US Dollars)

3. Significant Accounting Policies (continued)

a) Critical Accounting Estimates and Judgements (continued)

Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates.

Critical judgements in applying accounting policies

The preparation of financial statements in accordance with IFRS requires the Company to use judgment in applying its accounting policies and make estimates and assumptions about reported amounts at the date of the financial statements and in the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits
- the availability of resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

At December 31, 2020, the Company had not recognized any internally-generated intangible asset.

POTBOTICS INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in US Dollars)

3. Significant Accounting Policies (continued)

a) *Critical Accounting Estimates and Judgements (continued)*

Income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these income tax provisions at the end of each reporting period. However, it is possible that at some future date an additional liability could result from audits by tax authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. Deferred tax assets are recognized when it is determined that the Company is likely to recognize their recovery from the generation of taxable income.

Other significant judgments

The preparation of these financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- whether research and development costs are capitalized or expensed; and
- the fair value and classification of financial instruments.

b) *Equipment*

Equipment is recorded at cost net of accumulated depreciation and impairment charges. The cost of repairs and maintenance is expensed as incurred. Depreciation is provided on the straight-line method over the estimated lives of assets. Upon sale or other disposition of a depreciable asset, cost and accumulated depreciation is removed from equipment and any gain or loss is reflected as a gain or loss from operations. Depreciation on equipment is recorded at 20% on a straight-line basis.

c) *Financial Instruments*

Financial instruments are accounted for in accordance with IFRS 9, "Financial Instruments: Classification and Measurement". A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

POTBOTICS INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in US Dollars)

3 Significant Accounting Policies (continued)

c) *Financial Instruments (continued)*

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income (“FVOCI”); or (iii) fair value through profit or loss (“FVTPL”). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash and restricted cash are measured at FVTPL. Receivables are measured at amortized cost.

Impairment of financial assets

IFRS 9 uses the expected credit loss (“ECL”) model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company’s receivables.

An ‘expected credit loss’ impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

POTBOTICS INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in US Dollars)

3 Significant Accounting Policies (continued)

c) *Financial Instruments (continued)*

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable are classified under other financial liabilities and carried on the statement of financial position at amortized cost.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or when they expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

d) *Leases*

IFRS 16 Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.

POTBOTICS INC.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2020 and 2019****(Expressed in US Dollars)**

3 Significant Accounting Policies (continued)**e) *Inventories***

The Company values inventories at the lower of cost and net realizable value. Cost includes the costs of purchases net of vendor allowances plus other costs, such as transportation, that are directly incurred to bring the inventories to their present location and condition. The Company uses the First In, First Out method to determine the cost of inventories. The Company estimates net realizable value as the amount that inventories are expected to be sold while taking into consideration the estimated selling costs. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, or declining market prices. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is apparent evidence of an increase in selling price then the amount of the write-down previously recorded is reversed. Storage costs, indirect administrative overhead, and certain selling costs related to inventories are expensed in the period incurred.

f) *Share capital*

The Company records proceeds from the issuance of its common shares as equity. Proceeds received on the issuance of common shares are allocated to common share component. The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placement was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted price on the issuance date. The remaining proceeds, if any, are allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrant reserve. Management does not expect to record a value to the warrant in most equity issuances as unit private placements are commonly priced at market or at a permitted discount to market. If the warrants are issued as share issuance costs, the fair value of agent's warrants are measured using the Black-Scholes Option Pricing Model and recognized in equity as a deduction from the proceeds.

If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount remains in warrant reserve.

Incremental costs directly attributable to the issue of new common shares are shown in equity as a deduction, net of tax, from the proceeds. Common shares issued for consideration other than cash are valued based on their market value at the date that shares are issued.

POTBOTICS INC.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2020 and 2019****(Expressed in US Dollars)**

3 Significant Accounting Policies (continued)**g) *Net loss per share***

Basic earnings (loss) per share are calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share are calculated using the treasury stock method. This method assumes that common shares are issued for the exercise of options, warrants and convertible securities and that the assumed proceeds from the exercise of options, warrants and convertible securities are used to purchase common shares at the average market price during the period. The difference between the number of shares assumed issued and the number of shares assumed purchased is then added to the basic weighted average number of shares outstanding to determine the fully diluted number of common shares outstanding. No exercise or conversion is assumed during the periods in which a net loss is incurred as the effect is anti-dilutive.

h) *Share-based payments*

Share-based payments are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined that the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve.

i) *Revenue recognition*

Revenue from the sale of vaporizer, cartridges, filling machines and other products related to medical cannabis is recognized at a point in time when control over the goods has been transferred to the customer. The Company transfers control and satisfies its performance obligation upon delivery and acceptance by the customer. The Company recognizes revenue in the amount that the Company expects to receive after taking into account any variation that may result from rights of return.

Provisions for warranties and product liability are recognized when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

POTBOTICS INC.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2020 and 2019****(Expressed in US Dollars)****4 Equipment**

Equipment consists of Company's purchased equipment and the right of use asset recognized under leases.

Equipment consists of the following at December 31, 2020 and 2019:

	Equipment	Right of Use Asset	Total
<u>Cost</u>			
Balance at January 1, 2019	\$ 35,773	\$ -	\$ 35,773
Additions	-	27,526	27,526
Balance at December 31, 2019	35,773	27,526	63,299
Disposals	-	(27,526)	(27,526)
Additions	-	29,177	29,117
Balance at December 31, 2020	\$ 35,773	\$ 29,177	\$ 64,950
<u>Depreciation</u>			
Balance at January 1, 2019	\$ 28,188	\$ -	\$ 28,188
Charge for the year	3,588	22,938	26,526
Balance at December 31, 2019	31,776	22,938	54,714
Disposals	-	(27,526)	(27,526)
Charge for the year	1,359	28,902	30,261
Balance at December 31, 2020	\$ 33,135	\$ 24,314	\$ 57,449
<u>Net book value</u>			
Balance at December 31, 2019	\$ 3,997	\$ 4,588	\$ 8,585
Balance at December 31, 2020	\$ 2,638	\$ 4,863	\$ 7,501

5 Inventories

At December 31, 2020 and 2019, the Company's inventories were comprised of the following:

As at:	December 31, 2020	December 31, 2019
Vaporizers	\$ 55,550	\$ 73,089
Cartridge herb	30,007	33,303
Cartridge packaging	51,029	57,201
Filling machine	8,250	9,740
Total Inventories	\$ 144,836	\$ 173,333

The Company's inventories are finished goods and are measured at the lower of cost and net realizable value. For the year ended December 31, 2020 the Company recognized \$28,696 of inventory as an expense in cost of sales (2019 - \$3,107).

POTBOTICS INC.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2020 and 2019****(Expressed in US Dollars)****6 Convertible Notes**

One of the convertible notes issued by the Company amounting to \$200,000 with an original expiration in August 2016 was not reimbursed by the Company when expired. The purchaser of the convertible note commenced litigation against the Company in June 2018 under New York Supreme Court. During the year ended December 31, 2018, the Company was ordered by the Supreme Court of New York to pay \$254,560 relating to the litigation and this is included in accounts payable on the statement of financial position. During the year ended December 31, 2019, the Company repaid \$11,578 on the litigation payable. The litigation payable accrues interest at 8% per annum and as at December 31, 2020, the Company has a litigation payable balance of \$298,358.

In 2019, the Company agreed to a settlement of \$254,560 relating to principal and interest of one of the convertible notes.

During the year ended December 31, 2014, the Company issued a convertible note for proceeds of \$20,000 that bears interest at 8% per annum with a maturity date on the earlier of January 8, 2020 and the date the Company completes a going public transaction and can be converted into common shares of the Company at \$0.57 per share. As at December 31, 2020, the convertible note is past due.

On March 30, 2020, the Company issued a convertible note for proceeds of \$100,000. The convertible note bears interest at 8% per annum and has a maturity date of March 30, 2022. On the closing of the Merger (Note 1), the convertible debt and accrued interest was converted into 16,718 Super Voting Shares of Prime. The convertible notes are recorded at amortized cost using an effective interest rate of 25%, causing the carrying value to be lower than the principal value with the difference of \$25,113 recorded as the equity component of the convertible note.

The balance of the convertible notes is as follows:

	2020	2019
Balance at beginning of year	\$ 30,103	\$ 282,807
Issuance of convertible notes	100,000	-
Equity component of convertible notes	(25,113)	-
Convertible notes reclassified to accounts payable	-	(254,560)
Accretion	8,462	-
Interest expense	8,173	1,856
Total	\$ 121,625	\$ 30,103

POTBOTICS INC.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2020 and 2019****(Expressed in US Dollars)****7 Lease Liability**

The lease liability consists of a one year office lease that expires in February, 2021. The lease liability has been discounted using 2.7% as estimated incremental borrowing rate for this lease.

Lease liability at January 1, 2019	\$	-
Addition		27,526
Finance costs		391
Lease payments		(23,275)
Lease liability at December 31, 2019	\$	4,642
Addition		29,177
Finance costs		461
Lease payments		(24,060)
Lease liability at December 31, 2020	\$	10,220

8 Share Capital*Authorized share capital*

800,000,000 common shares without par value.

Common shares issued

On April 16, 2020, the Company entered into a loan conversion agreement and converted outstanding principal of \$750,000 in loans due to related parties plus all accrued interest into 2,238,597 common shares. The fair value of shares issued was determined to be \$1,276,000 and the Company recorded a loss on settlement of debt of \$652,192. On the conversion of the settlement of the notes the Company reallocated \$243,852 from contributed capital to share capital.

During the year ended December 31, 2020, the Company issued 1,310,687 common shares under settlement agreements to two existing shareholders that had made previous investments in the Company. As no incremental consideration was received in connection with these share issuances, the shares were recorded at a nominal value.

During the year ended December 31, 2020, the Company received \$25,000 for the issuance of 43,860 common shares that will be issuable upon the conclusion of the Merger.

During the year ended December 31, 2020, the Company issued 525,000 common shares to employees of the company and recorded share-based compensation of \$299,250.

During the year ended December 31, 2019, the Company issued 231,509 common shares for proceeds of \$131,294, net of issuance costs.

POTBOTICS INC.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2020 and 2019****(Expressed in US Dollars)****8 Share Capital (continued)**

During the year ended December 31, 2019, the Company issued 1,166,448 common shares of its common stock to certain of the Company's advisors and consultants. The share awards did not include any vesting period and were immediately recognized at a fair value of \$664,875.

The Company signed termination agreement for the consulting and advisory services of three consultant and agreed to compensate them in shares. The Company issued 78,333 shares and recognized at a fair value of \$44,650.

During the year ended December 31, 2019, the company issued 7,765,186 common shares under settlement agreements with a leak out provision to certain existing shareholders that had made previous investments in the Company. As no incremental consideration was received in connection with these share issuances, the shares were recorded at a nominal value. Each Purchaser agreed to the following: (i) 10% of the Issued Shares as of the date of this Agreement, (ii) 10% of the Issued Shares upon and subsequent to any going public transaction of Potbotics (including as a result of any "reverse merger" or "reverse takeover" with a public shell company, "IPO") and (ii) 15% of the Issued Shares upon and subsequent to each six-month anniversary of the IPO.

Options

On October 15, 2020, the Company granted 2,982,808 options to the CEO of the Company with an exercise price of \$0.0756. The options vest in equal tranches of 12.5% every 3 months with the first 12.5% vesting on January 15, 2021 up to October 15, 2022. The options expire on October 15, 2030. The grant date fair value of the options was determined to be \$1,598,824 using the Black Scholes option pricing model with the following assumptions: risk free interest rate of 0.57%, volatility of 80%, dividend rate of 0% and an expected life of ten years. The Company recorded share-based compensation of \$454,506 relating to the vesting of these options.

9 Related Party Transactions

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers.

The remuneration of directors and key management personnel made during the years ended December 31, 2020 and 2019, is as follows:

Year ended December 31,	2020	2019
Salaries to a director	\$ 160,000	\$ 75,062
Marketing fees paid to a director	15,000	-
Marketing fees paid to companies controlled by a director of the Company	-	747
Consulting fee paid to a director	25,333	9,000
Research and development fees paid to a director	24,615	81,586
Total	\$ 224,948	\$ 166,395

POTBOTICS INC.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2020 and 2019****(Expressed in US Dollars)****9 Related Party Transactions (continued)**

As at December 31, 2020, the Company has \$212,816 (2019 - \$4,500) due to the directors of the Company and \$700 (2019 - \$700) due to a company controlled by a director.

Loan from Related Parties

During the year ended December 31, 2019, the Company received loans from a company controlled by a director of the Company in the amounts of \$954,490. As at December 31, 2019, there was a balance of principal and interest of \$1,131,296. The loans are initially measured at fair value using an estimated market discount rate of 25%, causing the carrying value to be lower than the principal value with a difference of \$278,396 recorded as contributed capital in reserves. The loans are subsequently measured at amortized cost using the effective interest rate method.

During the year ended December 31, 2020, the Company converted principal of \$750,000 and accrued interest into 2,238,597 common shares. The Company repaid an additional \$157,500 loans from related parties. As at December 31, 2020, there is principal balance of \$202,440 and accrued interest of \$5,523. The loans are unsecured, bear interest at 2.7% per annum and have maturity dates between October 16, 2021 and November 29, 2021.

Period / Year ended	2020	2019
Balance at beginning of year	\$ 862,160	\$ 302,352
Loans converted into shares	(623,809)	-
Loans repaid	(157,500)	(254,314)
Loans issued	-	954,490
Discount on loans	-	(278,396)
Interest expense	17,174	19,295
Accretion	90,352	118,733
Total	\$ 188,377	\$ 862,160

10 Loans Payable

On February 24, 2020, the Company issued a promissory note for proceeds of \$17,984 (CAD\$25,000). The note is unsecured, bearing interest of 6% per annum based on a 360-day year and matures on August 23, 2021. During the year ended December 31, 2020, the Company recorded interest expense of \$932.

On April 21, 2020, the Company received \$35,500 from a promissory note entered with BNB Bank funded by the U.S. Small Business Administration. The loan matures two years from the date of first disbursement of the loan, with no payment required for the first six months, and bears interest at 1% per annum. The Company recorded the loan at fair value using an effective interest rate of 25%. The difference between the amount received and the fair value of the loan of \$8,823 was recorded as income from government assistance. During the year ended December 31, 2020, the Company recorded accretion expense of \$4,699 and interest expense of \$235. As at December 31, 2020, the carrying value of the loan was \$31,612.

POTBOTICS INC.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2020 and 2019****(Expressed in US Dollars)****10 Loans Payable (continued)**

On September 14, 2020, the Company issued a promissory note to Prime for proceeds of \$74,807 (CAD\$100,000). The note is unsecured, bearing interest of 6% per annum based on a 360-day year and maturing in 24 months from the issue date.

On November 17, 2020, the Company issued a promissory note to Prime for proceeds of \$302,117 (CAD\$400,000). The note is unsecured, bearing interest of 6% per annum based on a 360-day year and maturing in 24 months from the issue date.

On December 10, 2020, the Company issued a promissory note to Prime for proceeds of \$231,110 (CAD\$300,000). The note is unsecured, bearing interest of 6% per annum based on a 360-day year and maturing in 24 months from the issue date.

	Year ended December 31, 2020
Balance, beginning	\$ -
Issuance of promissory notes	661,518
Income from government assistance	(8,823)
Accretion expense	4,699
Accrual of interest expense	5,589
Balance, ending	\$ 662,983

11 Accounts Payable and Accrued Liabilities

	2020	2019
Accounts payable	\$ 458,407	\$ 231,312
Accrued liabilities	97,613	164,020
Litigation payable	280,866	242,983
	\$ 836,886	\$ 638,315

12 Income Tax

The provision for income taxes differs from the amount that would have resulted in applying the combined federal statutory tax rate as follows:

	2020	2019
Net loss	\$ (2,490,155)	\$ (2,299,048)
Statutory income tax rate	21%	21%
Expected income tax (recovery)	(522,932)	(482,800)
Permanent differences	21,742	26,217
Adjustment to prior years statutory return	64,130	(292,567)
Valuation Allowance	437,060	749,151
Income taxes	\$ -	\$ -

POTBOTICS INC.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2020 and 2019****(Expressed in US Dollars)****12 Income Tax (continued)**

Temporary differences that give rise to the following deferred tax assets and liabilities at are:

	2020	2019
Deferred tax assets:		
Non-capital loss carry forwards	\$ 4,024,787	\$ 3,742,987
Stock based compensation	158,289	-
Amortizable tax attributes	27,077	30,413
Property, plant and equipment	1,159	852
Total	4,211,312	3,774,252
Valuation allowance	(4,211,312)	(3,774,252)
	\$ -	\$ -

Tax attributes are subject to review, and potential adjustment, by tax authorities. No deferred tax asset has been recognized as there exists significant uncertainty that the deductible temporary differences will be utilized. The tax losses may be carried forward indefinitely subject to certain limitations.

13 Financial risk management objectives and policies***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to the risk of changes in market interest rates as the loans generally bear interest at a fixed rate.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to foreign exchange risk is minimal. The foreign currency risk is assessed as low.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with a major bank in the United States of America. As all of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements. The

POTBOTICS INC.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2020 and 2019****(Expressed in US Dollars)**

13 Financial risk management objectives and policies (continued)

Company coordinates this planning and budgeting process with its financing activities through the capital management process described below, in normal circumstances.

Historically, the Company's sole source of funding has been the issuance of equity securities, convertible notes and loans from related parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The Company's financial liabilities are comprised of its accounts payable, convertible notes, loans and notes payable. The accounts payable and one of the convertible notes are due on demand or within 30 days. The loans payable mature between October, 2021 and November, 2022.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. Capital consists of shareholders' equity. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new shares as well as managing the outstanding level of debt.

Fair Values

The carrying values of financial instruments such as cash and cash equivalents and prepayments and other assets, accrued liabilities and other payables and loan payable are reasonable estimates of their fair value due to the short-term nature of these financial instruments. The carrying value of the convertible notes approximates its fair value as its fixed interest rate approximates the market interest rate considering the Company's credit risk. The fair value of the marketable securities (securities held for sale) of \$148 is derived from its quoted stock price as at December 31, 2020 and is considered as Level 1 in the fair value hierarchy.

14 Subsequent events

On January 25, 2021, the Company issued a promissory note to Prime for proceeds of \$99,985 (CAD 125,000). The promissory note is unsecured, bears interest at 6% per annum and is due on January 25, 2023.

On January 28, 2021, the Company issued a promissory note to Prime for proceeds of \$308,865 (CAD 400,000). The promissory note is unsecured, bears interest at 6% per annum and is due on January 28, 2023.