

RYAH GROUP, INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2021

(Expressed in US Dollars)

(Unaudited)

NOTICE TO READER

The accompanying unaudited condensed consolidated interim financial statements of Ryah Group, Inc., (the “Company”) have been prepared by and are the responsibility of the Company’s management. In accordance with National Instrument 51-102, the Company discloses that its independent auditor has not performed a review of these condensed consolidated interim financial statements.

INDEX TO THE FINANCIAL STATEMENTS

Condensed Consolidated Interim Statements of Financial Position	3
Condensed Consolidated Interim Statements of Comprehensive Loss	4
Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency	5
Condensed Consolidated Interim Statements of Cash Flows	6
Notes to the Condensed Consolidated Interim Financial Statements	7 to 14

RYAH Group, Inc.
Consolidated Balance Sheets (Unaudited)
For the six months ended June 30, 2021
(Expressed in US Dollars)

	Notes	June 30, 2021	December 31, 2020
<u>ASSETS</u>			
CURRENT ASSETS			
Cash		\$ 1,292,278	\$ 153,285
Accounts Receivable		8,236	-
Marketable securities		229	148
Prepaid expenses	3	72,915	7,034
Inventories	4	127,741	144,834
		1,501,399	305,301
NON-CURRENT ASSETS			
Equipment		34,347	7,501
TOTAL ASSETS		\$ 1,535,746	\$ 312,802

RYAH Group, Inc.
Consolidated Balance Sheets (Unaudited)
For the six months ended June 30, 2021
(Expressed in US Dollars)

		June 30, 2021	December 31, 2020
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	11	\$ 676,385	\$ 836,885
Due to related party	9	196,667	213,516
Lease liability	9	37,122	10,220
Convertible notes	6	-	38,276
Loans from related parties	7	-	188,377
Loans payable	8	20,435	18,916
Shares to be issued	10	25,000,	25,000
		955,609	1,331,190
NON-CURRENT LIABILITIES			
Convertible notes	6	32,943	83,349
Loans payable	10	-	644,067
TOTAL LIABILITIES		988,552	2,058,606
SHAREHOLDERS' EQUITY			
Share capital	8	36,506,273	24,974,696
Reserves		10,341,514	699,362
Accumulated deficit		(46,130,451)	(27,419,862)
Accumulated other comprehensive loss		(170,142)	-
TOTAL SHAREHOLDER'S EQUITY (DEFICENCY)		547,194	(1,745,804)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 1,535,746	\$ 312,802

Nature and continuance of operation (Note 1)

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

RYAH Group, Inc.
Consolidated Statements of Operations and Comprehensive Loss (Unaudited)
For the six months ended June 30, 2021
(Expressed in US Dollars)

	Notes	Three Months Ended 6/30/2021	Six Months Ended 6/30/2021	Three Months Ended 6/30/2020	Six Months Ended 6/30/2020
CONTINUING OPERATIONS					
Revenues		\$ 86,845	\$ 86,845	\$ 22,482	\$ 22,482
Cost of sales		(25,658)	(25,658)	(8,912)	(12,390)
Gross profit		61,187	61,187	13,570	10,092
OPERATING EXPENSES					
Accretion expense	6, 9	33,524	44,659	19,668	65,725
Consulting fees	9	294,805	376,391	26,422	45,672
Depreciation expense		11,132	16,328	7,632	14,989
General and administrative		976	114,393	2,711	5,545
Insurance expenses		2,973	14,402	7,131	11,521
Interest Expense	6,9,10	24,718	49,163	33,957	42,462
Licences and subscriptions		4,173	7,890	3,236	5,599
Marketing		239,006	269,888	3,991	9,686
Occupancy expenses		-	-	285	1,620
Payroll expenses	9	68,062	98,726	62,746	90,943
Professional fees		118,207	227,451	42,426	103,583
Research and development	9	147,813	253,985	47,846	90,630
Stock based compensation	8	10,238	413,729		-
Travel		4,938	5,338		3,314
Total operating expenses		960,565,	1,892,343	(244,505)	(481,196)
Loss before other items		(899,378)	(1,831,156)		

RYAH Group, Inc.
Consolidated Statements of Operations and Comprehensive Loss (Unaudited)
For the six months ended June 30, 2021
(Expressed in US Dollars)

Other items	Three Months Ended 6/30/2021	Six Months Ended 6/30/2021	Three Months Ended 6/30/2020	Six Months Ended 6/30/2020
Change in fair value of marketable securities	81	81	422	28
Other income	2,744	2,744	(14,467)	(14,467)
Other expense	-	-	1,390	1,390
Income from government assistance		30,612		-
Listing expenses	(16,948,176)	(16,948,176)		
NET LOSS	(17,844,729)	(18,745,895)	(231,850)	(468,147)
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation adjustment	(170,142)	(170,142)	-	-
TOTAL COMPREHENSIVE (LOSS)	\$ (18,014,871)	\$ (18,916,037)	\$ (231,850)	\$ (468,147)
Basic and diluted loss per common share	\$ (0.04)	\$ (0.04)	\$ (0.00)	\$ (0.00)
Basic and diluted weighted average number of common shares outstanding	435,235,560	435,235,560	435,235,560	435,235,560

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

RYAH Group, Inc.
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
For the six months ended June 30, 2021
(Expressed in US Dollars)

	Ryah Group, Inc.		Share Capital	Reserves		Acumulated Other comprehensive Loss	Deficit	Total Shareholders' Equity (Deficiency)
	Class A Subordinate Voting shares	Class B Super Voting Shares		Option Reserve	Warrant Reserves			
Opening equity post RTO	215,732,460	3,090,274	36,496,035	1,425,236	8,916,278	-	(27,384,556)	\$ 19,452,993
Conversion from Class B to Class A	41,411,200	(565,760)						-
Class B shares cancelled		(177,255)						-
Stock based compensation	150,242	-	10,238					10,238
Net loss							(18,745,895)	(18,745,895)
Cummulative translation adjustment						(170,142)		(170,142)
As at June 30, 2021	257,293,902	2,347,259	\$ 36,506,273	\$ 1,425,236	\$ 8,916,278	\$ (170,142)	(46,130,451)	\$ 547,194

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

RYAH Group, Inc.
Condensed Consolidated Interim Statements of Cash Flows (Unaudited)
For the six months ended June 30, 2021 and 2020
(Expressed in US Dollars)

	2021	2020
Cash flows used in operating activities		
Net loss	\$ (18,745,895)	\$ (468,147)
Adjustments for:		
Merger Expenses	16,948,176	-
Accretion expenses	44,659	65,725
Consulting fees paid in shares	492,805	
Depreciation	16,328	14,989
Gain on change in fair value of marketable securities	(81)	28
Non-cash interest expense	19,995	41,630
Income from government assistance	(30,612)	-
Changes in non-cash working capital items:		
Prepayments and other assets	(65,882)	4,575
Accounts Receivable	22,856	-
Inventories	17,093	14,150
Due to related party	(95,321)	36,136
Accrued liabilities and other payables	73,969	140,643
Net cash used in operating activities	(1,301,910)	(150,271)
Cash flows from investing activities:		
Repayment of lease liability	(16,540)	(14,529)
Net cash used in investing activities	(16,540)	(14,529)
Cash flows from financing activities:		
Proceeds from issuance of convertible notes	-	100,000
Cash received for common shares not issued yet	-	25,000
Repayment of related party loans	(228,940)	73
Proceeds from issuance of shares, net of issuance cost	2,574,422	-
Proceeds from long term loans	-	34,500
Repayment of lease liability	(561,248)	-
Net cash from financing activities	1,784,234	159,572
Effect of exchange rates on cash	658,309	-
Net increase / (decrease) in cash	1,138,993	(5,228)
Cash beginning of year	153,285	35,792
Cash end of the year	\$ 1,292,278	\$ 30,564

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

RYAH Group, Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the six months ended June 30, 2021 and 2020
(Expressed in US Dollars)

1 Nature and continuance of operations (continued)

On April 21, 2021, Potbotics Inc. (“Potbotics”) completed a reverse takeover of Prime Blockchain Inc. (“Prime”, a Canadian reporting issuer. As a result of the transaction, the resulting issuer changed its name to RYAH Group, Inc. and is listed on the CSE under the symbol RYAH, (the “Company” of Ryah”).

(“Potbotics”) 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.

These condensed consolidated interim 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. During the period ended June 30, 2021, the Company incurred losses of \$3,997,654 (2020 – \$494,245), 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, private or public placements of equity or debt securities, loans from directors and companies controlled by directors. 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, Merger Sub, a wholly owned subsidiary of Prime 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 the Merger Sub ceased, and Potbotics continued as the surviving corporation and a wholly-owned subsidiary of Prime. 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

RYAH Group, Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the six months ended June 30, 2021 and 2020
(Expressed in US Dollars)

1 Nature and continuance of operations (continued)

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.

The Merger resulted in a Reverse Take Over (“RTO”) of Prime by Potbotics because Potbotics shareholders control the majority of the voting rights, the board of directors, and senior management of the resulting issuer Ryah while Ryah maintained Prime’s listing status.

2 Statement of Compliance and Basis of Presentation

(a) Statement of compliance

These condensed consolidated interim 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, but pursuant to IAS 34 Interim Financial Reporting, do not include all of the information and footnotes required by IFRS for complete financial statements.

The notes presented in these condensed consolidated interim financial statements include only significant events and transactions occurring since the Company’s last fiscal year end and they do not include all of the information required in the Company’s most recent annual financial statements. Except as noted below, these condensed consolidated interim financial statements follow the same accounting policies and methods of application as the Company’s annual financial statements and should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2020, which were prepared in accordance with IFRS as issued by IASB.

These condensed consolidated interim financial statements were authorized and approved by the Board of Directors on August 30, 2021.

(b) Basis of presentation

These condensed interim consolidated financial statements include the accounts of the Ryah and its wholly owned subsidiaries Potbotics, Inc. and RYAH Medtech, Inc. All inter-company balances and transactions have been eliminated on consolidation.

RYAH Group, Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the six months ended June 30, 2021 and 2020
(Expressed in US Dollars)

2 Statement of Compliance and Basis of Presentation (continued)
(b) Basis of presentation (continued)

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.

(c) Weighted average shares outstanding

Weighted average shares outstanding include Class A subordinate voting shares and the Class B super voting shares as if converted to Class A at 100 Class A shares for each Class B shares. The shares used to calculate earnings per share are summarized purposes are summarized as follows:

Class A subordinate voting shares	200,567,660
Class B as, if converted to Class A	234,725,900
Total shares for Earnings per share	<u><u>435,293,560</u></u>

3 Prepaid expenses

Prepaid expenses consist of a security deposit of \$47,915 for an office lease commencing on April 1, 2021 and advertising expenses of \$25,000.

4 Inventories

At June 30, 2021 and December 31, 2020 the company's inventories were comprised of the following:

:	June 30, 2021	December 31, 2020
Vaporizers	\$ 44,988	\$ 55,550
Cartridge herb	44,199	30,007
Cartridge packaging	26,841	51,029
Filling machine	11,713	8,250
Total Inventories	\$ 127,741	\$ 144,836

The Company's inventories are finished goods and are measured at the lower of cost and net realizable value. During the six months ended June 30, 2021 the company recognized \$15,158 (2020 - \$12,390) of inventory as an expense in cost of sales.

RYAH Group, Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the six months ended June 30, 2021 and 2020
(Expressed in US Dollars)

5 Reverse Takeover (RTO)

On September 9, 2020, Prime, Ryah Acquisition Corp. a wholly-owned subsidiary of Prime formed for the purpose of completing the RTO (Merger Sub), and Potbotics entered into the Merger Agreement. Pursuant to the terms of the Merger Agreement, 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 changed its name to Ryah Group, Inc.

As a result of the RTO, Potbotics operations were considered to be a continuance of the business and operations. Therefore, Potbotics is deemed to be the accounting acquirer for accounting and financial reporting purposes and therefore its assets, liabilities and operations are included in the condensed consolidated interim financial statements at their historical carrying value. The results of operations of the Company are those of Potbotics with the operations of Prime included from March 1, 2021 onwards.

At the time of the RTO, Prime did not constitute a business as defined under IFRS 3 *Business Combinations*; accordingly, the RTO is accounted for under IFRS 2 *Share-based payment*, where the difference between the fair value of the consideration to acquire the Company and the net asset value of the Company is recorded as listing expense in accompanying condensed consolidated interim statement of operations and comprehensive loss. As Potbotics is deemed to be the accounting acquirer, these condensed consolidated interim financial statements present the financial information of Potbotics up to March 1, 2020. The Fair value of the consideration issued for the net assets of the Company follows:

Consideration:	
Value of Class B super voting shares issued	\$19,942,080
Value of Class A subordinate voting shares assumed	13,812,090
Value of warrants assumed	9,547,654
Value of options assumed	1,385,851
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Total consideration	44,687,675
Fair value of net assets acquired:	
Current assets	3,708,066
Investment in affiliate	26,131,824
Current liabilities	(31,495)
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Net assets acquired	29,808,395
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Consideration in excess of net assets acquired	\$14,879,280

6 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

RYAH Group, Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the six months ended June 30, 2021 and 2020
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common shares of the Company at \$0.57 per share. As at June 30, 2021, 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 maturity date the principal and interest on the convertible notes can be converted into common shares of the Company at the option of the holder or the Company at \$0.4845 per share. In the event the Company enters into a reverse merger with a public shell company the principal and interest on the convertible notes will be automatically converted into common shares of the Company at \$0.57 per share. 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:

	Six months ended	Year ended
	June 30, 2021	December 31, 2020
Balance at beginning of year	\$ 121,625	\$ 30,103
Issuance of convertible notes	-	100,000
Equity component of convertible notes	-	(25,113)
Accretion	6,384	8,462
Interest expense	5,069	8,173
Total	\$ 133,078	\$ 121,625

7 Lease Liability

The lease liability consists of a one-year office lease that the company entered on April 1, 2021. The lease liability has been discounted using 2.7% as estimated incremental borrowing rate for this lease.

Lease liability at January 1, 2020	\$	4,642
Addition		29,177
Finance costs		461
Lease payments		(24,060)
Lease liability at December 31, 2020	\$	10,220
Addition		43,174
Finance costs		253
Lease payments		(16,525)
Lease liability at June 30, 2021	\$	37,122

RYAH Group, Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the six months ended June 30, 2021 and 2020
(Expressed in US Dollars)

8 Share Capital

Authorized share capital

Class A subordinate voting: unlimited, without par value 257,293,902 outstanding at June 30, 2021. Series B super voting: unlimited without par value, 2,347,259 outstanding at June 30, 2021

Options

On October 15, 2020, legacy Potbotics 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. Upon completion of the RTO, the options were converted into 10,439,800 options for Class A subordinate voting shares at an exercise price of \$0.10 CDN per share. All other terms remain substantially the same. 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. During the three-month and six-month periods ended June 30, 2021, the Company recorded share-based compensation of \$126,105 and \$403,491, respectively related to the vesting of these options and none in the corresponding prior year periods.

RYAH Group, Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the six months ended June 30, 2021 and 2020
(Expressed in US Dollars)

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 six months ended June 30, 2021 and 2020, is as follows:

Six months ended June 30,	2021	2020
Salaries to a director	\$ 60,000	\$ 50,000
Salaries to a former director	92,500	23,000
Research and development fees paid to a former director	30,000	-
Consulting fees paid to directors	43,000	-
Total	\$ 225,500	\$ 73,000

As at June 30, 2021, the Company has \$81,527 due to a former director of the Company for salaries, \$36,668 due to current directors of the Company.

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. The loans are initially measured at fair value using an estimated market discount rate of 25%. 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.

As at June 30, 2021, the Company repaid all of its outstanding principal and interest amount \$228,940.

Period / Year ended	For the six months ended June 30, 2021	For the year ended December 31, 2020
Balance at beginning of year	\$ 188,377	\$ 862,160
Loans converted into shares	-	(623,809)
Loans repaid	(228,940)	(157,500)
Interest expense	2,288	17,174
Accretion	38,275	90,352
Total	\$ -	\$ 188,377

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

RYAH Group, Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the six months ended June 30, 2021 and 2020
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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%. At December 31, 2020, the carrying value of the loan was \$31,612. On January 1, 2021, \$34,500 of the promissory note was forgiven and the Company recorded \$30,612 as income from government assistance.

11 Accounts Payable and Accrued Liabilities

	June 30, 2021	December 31, 2020
Accounts payable	\$ 298,280	\$ 739,273
Accrued liabilities	392,105	97,613
Total	\$ 690,385	\$ 836,886