

RYAH GROUP, INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Amended and Restated)

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") for the six-month period ending June 30, 2021 (the "**Amended Interim Financial Statements**") have been prepared by and are the responsibility of the Company's management. In accordance with National Instrument 51-102 - *Continuous Disclosure Obligations*, the Company discloses that its independent auditor has not performed a review of these condensed consolidated interim financial statements.

These Amended Interim Financial Statements have been amended and restated to reflect certain adjustments resulting from an interim review completed by the Company in preparation for its filing of interim financial statements for fiscal Q3 2021. These Amended Interim Financial Statements contain revised disclosure which reflects, among other things, certain adjustments to the disclosure to (i) recognize approximately USD \$83,000 in share based compensation payable to certain consultants of the Company, accrued during the six months ended June 30, 2021, and (ii) correct certain incorrect disclosure in respect of the consideration paid by the Company in connection with the reverse takeover transaction completed by the Company with Potbotics Inc., in April 2021.

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RYAH Group, Inc.
Condensed Consolidated Balance Sheets
September 30, 2021 (Unaudited) and December 31, 2020
(Expressed in US Dollars)

| | Notes | June 30, 2021 (Restated) | 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 |
| <u>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICENCY)</u> | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable and accrued liabilities | 11 | \$ 676,385 | \$ 836,885 |
| Due to related party | 9 | 196,667 | 213,516 |
| Lease liability | 7 | 37,122 | 10,220 |
| Convertible notes | 6 | - | 38,276 |
| Loans from related parties | 9 | - | 188,377 |
| Loans payable | | 20,435 | 18,916 |
| Shares to be issued | 10 | 63,744 | 25,000 |
| | | 994,353 | 1,331,190 |
| NON-CURRENT LIABILITIES | | | |
| Convertible notes | 6 | 32,943 | 83,349 |
| Loans payable | | - | 644,067 |
| TOTAL LIABILITIES | | 1,027,296 | 2,058,606 |
| SHAREHOLDERS' EQUITY (DEFICENCY) | | | |
| Share capital | 8 | 36,550,911 | 24,974,696 |
| Reserves | | 10,341,514 | 699,362 |
| Accumulated deficit | | (46,213,833) | (27,419,862) |
| Accumulated other comprehensive loss | | (170,142) | - |
| TOTAL SHAREHOLDER'S EQUITY (DEFICENCY) | | 508,450 | (1,745,804) |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICENCY) | | \$ 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) (Restated)
(Expressed in US Dollars)

| | Notes | Three Months Ended June 30, 2021 (Unaudited) (Restated) | Six Months Ended June 30, 2021 (Unaudited) (Restated) | Three Months Ended June 30, 2020 (Unaudited) | Six Months Ended June 30, 2020 (Unaudited) |
|---|--------|--|--|---|---|
| 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 | 461,569 | 459,773 | 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 | 11,520 |
| Interest Expense | 6,9,10 | 24,718 | 49,163 | 33,957 | 42,462 |
| Licences and subscriptions | | 4,173 | 7,890 | 3,260 | 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 | | 1,127,329 | 1,975,725 | (258,075) | (491,288) |
| Loss before other items | | (1,066,142) | (1,914,538) | (244,505) | (481,196) |
| Other items | | | | | |
| 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 | | (18,011,493) | (18,829,277) | (231,006) | (468,147) |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | | |
| Foreign currency translation adjustment | | (170,142) | (170,142) | - | - |
| TOTAL COMPREHENSIVE (LOSS) | | \$ (18,181,635) | \$ (18,999,419) | \$ (231,006) | \$ (468,147) |
| Basic and diluted loss per common share | | \$ (0.04) | \$ (0.05) | \$ (0.00) | \$ (0.00) |
| Basic and diluted weighted average number of common shares outstanding | | 453,772,517 | 383,827,646 | 312,243,650 | 308,415,306 |

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 and 2020 (Restated)
(Expressed in US Dollars)

| | Shares Outstanding | | | Reserves | | | | Accumulated | | Total Shareholders' Equity |
|---|-----------------------------|-----------------------------|----------------------|---------------------------------------|---------------------|---------------------|---------------------|--------------------------|------------------------|----------------------------|
| | Class A Common ¹ | Class B Common ¹ | Share Capital | Equity Component of Convertible Notes | Contributed Capital | Option Reserves | Warrant Reserves | Other Comprehensive Loss | Accumulated Deficit | |
| January 1, 2020 | - | 2,993,316 | \$ 23,154,282 | \$ 14,694 | \$ 411,162 | - | \$ 37,739 | - | \$ (24,928,394) | \$ (1,310,517) |
| Issuance of common shares for consulting services | - | 17,562 | 285,000 | - | - | - | - | - | - | 285,000 |
| Issuance of additional common shares to existing shareholders | - | 46,036 | 1,311 | - | - | - | - | - | (1,311) | - |
| Conversion of loans from related parties to common shares | - | 78,627 | 1,519,853 | - | (243,852) | - | - | - | - | 1,276,001 |
| Issuance of convertible note / equity portion | - | - | - | 25,113 | - | - | - | - | - | 25,113 |
| Net loss | - | - | - | - | - | - | - | - | (468,147) | (468,147) |
| June 30, 2020 | - | 3,135,541 | \$ 24,960,446 | \$ 39,807 | \$ 167,310 | - | \$ 37,739 | - | \$ (25,397,852) | \$ (192,550) |
| January 1, 2021 | - | 3,136,419 | \$ 24,974,696 | \$ 39,807 | \$ 167,310 | \$ 454,506 | \$ 37,739 | - | \$ (27,384,556) | \$ (1,710,498) |
| Reverse Take Over | 177,630,360 | 4,253 | 11,531,577 | - | - | 1,544,110 | 8,072,929 | - | - | 21,148,616 |
| Conversion of Class B common to Class A common | 79,341,300 | (793,413) | - | - | - | - | - | - | - | - |
| Note conversion | - | - | - | 25,112 | - | - | - | - | - | 25,112 |
| Stock compensation | 322,242 | - | 44,638 | - | - | - | - | - | - | 44,638 |
| Net and total comprehensive loss | - | - | - | - | - | - | - | (170,142) | (18,829,277) | (18,999,419) |
| As at September 30, 2020 | 257,293,902 | 2,347,259 | \$ 36,550,911 | \$ 64,919 | \$ 167,310 | \$ 1,998,616 | \$ 8,110,668 | \$ (170,142) | \$ (46,213,833) | \$ 508,449 |

¹ The numbers of shares outstanding before the RTO have been restated to reflect the effect of the exchange of shares using the exchange ratio inherent in the RTO.

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 |
|--|---------------------|------------------|
| | Restated | |
| Cash flows used in operating activities | | |
| Net loss | \$ (18,829,277) | \$ (468,147) |
| Adjustments for: | | |
| Merger expenses | 16,948,176 | - |
| Accretion expenses | 44,659 | 65,725 |
| Consulting fees paid in shares | 537,443 | |
| 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 | 112,713 | 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 | 673,209 | - |
| 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 (Amended and Restated)****For the six months ended June 30, 2021 and 2020****(Expressed in US Dollars)**

1 Nature and continuance of operations

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” or “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 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 \$18,829,277 (2020 – \$468,147), 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 condensed consolidated interim 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 condensed 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.

Restatement

In September 2021, the Company discovered errors in its June 30, 2021, condensed consolidated interim financial statements related to the accounting for the Merger and for certain stock-based compensation. The Company incorrectly calculated the effect of the reverse takeover in the table included in Note 5. This error did not impact the accounting for the merger in the condensed consolidated interim balance sheet statement of operations, or cash flow. When investigating this error, the Company noticed corrections need to be made to the statement of stockholders’ equity for the number of shares issued in and after the reverse

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

takeover. The Company also noted that additional stock-based compensation needed to be recorded.

The following tables illustrate the impact of the Restatement on the historical condensed consolidated interim balance sheet as of June 30, 2021, condensed consolidated statement of operations, condensed consolidated statement of changes in stockholders' equity, condensed consolidated statements of cash flows for the six months ended June 30, 2021. Each as compared to the amounts presented in the original financial statements previously filed.

BALANCE SHEET**June 30, 2021**

| | As Previously Reported | Adjustments | As Restated |
|---------------------|-----------------------------------|--------------------|---------------------|
| <u>ASSETS</u> | | | |
| TOTAL ASSETS | \$ 1,535,746 | \$ — | \$ 1,535,746 |

LIABILITIES & STOCKHOLDERS' EQUITY**LIABILITIES**

| | | | |
|--------------------------|----------------|---------------|----------------|
| Shares to be issued | 25,000 | 38,744 | 63,744 |
| TOTAL LIABILITIES | 955,609 | 38,744 | 994,353 |

STOCKHOLDERS' EQUITY

| | | | |
|---|------------------|-----------------|------------------|
| Share capital | 36,506,273 | 44,638 | 36,550,911 |
| Deficit | (46,130,451) | (83,382) | (46,213,833) |
| TOTAL STOCKHOLDERS' EQUITY (DEFICIT) | 547,194 | (38,744) | 508,450 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | 1,535,746 | — | 1,535,746 |

STATEMENT OF OPERATIONS**Six months ended June 30, 2021**

| | As Previously Reported | Adjustments | As Restated |
|-----------------------------------|-----------------------------------|--------------------|---------------------|
| OPERATING EXPENSES | | | |
| Consulting fees | 376,391 | 83,382 | 459,773 |
| Total operating expenses | 960,565 | 83,382 | 1,043,947 |
| Loss before other items | (899,378) | (83,382) | (982,760) |
| Net (loss) | (18,745,895) | (83,382) | (18,829,277) |
| Total Comprehensive (loss) | (18,916,037) | (83,382) | (18,999,419) |

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

| STATEMENT OF OPERATIONS | Three months ended June 30, 2021 | | |
|---------------------------------------|----------------------------------|-------------|---------------|
| | As previously Reported | Adjustments | As restated |
| OPERATING EXPENSES | | | |
| Consulting fees | 378,187 | 83,382 | 461,569 |
| Total operating expenses | 1,043,947 | 83,382 | 1,127,329 |
| (Loss) before other items | (982,760) | (83,382) | (1,066,142) |
| Net (loss) | (17,928,111) | (83,382) | (18,011,493), |
| Total comprehensive (loss) | (18,098,253) | (83,382) | (18,181,635) |
| | | | |
| STATEMENT OF CASH FLOWS | | | |
| | | | |
| Net loss | (18,745,895) | (83,382) | (18,829,277) |
| Consulting fees paid in shares | 492,805 | 83,382 | 576,187 |
| Net cash used in operating activities | (1,301,910) | — | (1,301,910) |
| Net increase in cash | 1,124,193 | — | 1,124,193 |

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 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 the Company’s 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

RYAH Group, Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Amended and Restated)

For the six months ended June 30, 2021 and 2020

(Expressed in US Dollars)

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 (Amended and Restated)****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 weighted average shares outstanding for periods prior to the merger have been adjusted using the exchange ratio used to convert Potbotics shares into Class B common shares and as if the Class B common shares have been converted to Class A common shares

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 | | 51,027 |
| Filling machine | | 11,713 | | 8,250 |
| Total Inventories | \$ | 127,741 | \$ | 144,834 |

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.

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

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

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 assts, 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 A subordinate voting shares assumed | 11,057,713 |
| Value of warrants assumed | 9,141,862 |
| Value of options assumed | 257,458 |
| Total consideration | 20,457,033 |

Fair value of net assets acquired:

| | |
|--|--------------|
| Current assets | 3,515,352 |
| Current liabilities | (6,495) |
| Net assets acquired | 3,508,857 |
| Consideration in excess of net assets acquired | \$16,948,176 |

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 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

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

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 June 30, 2021 | Year ended 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 (Amended and Restated)

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.

Stock-based compensation

During the three months ended June 30, 2021 the Company issued 322,242, shares of class A subordinated as compensation for certain consultants which resulted in the Company recognizing stock-based compensation of \$44,638 .

RYAH Group, Inc.**Notes to the Condensed Consolidated Interim Financial Statements (Amended and Restated)****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 its 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 recorded a liability of \$81,527 due to a former director of the Company for salaries, and \$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 of December 31, 2020, there is a principal balance of \$202,440 and accrued interest of \$5,523.

As of 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 year

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

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 | 416,849 | 97,613 |
| Total | \$ 715,129 | \$ 836,886 |