# GRAPH BLOCKCHAIN INC.

# CSE FORM 2A
# LISTING STATEMENT

November 7, 2018

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## GLOSSARY

"**Acquisition**" means the acquisition of all the issued and outstanding Graph Shares by RegTech as set out in the Amalgamation Agreement;

"**Amalco**" means Graph, the surviving corporation of the Amalgamation of Subco and Graph pursuant to the Amalgamation which retained the name "Graph Blockchain Limited.";

"**Amalgamation**" means the combination of the businesses of Graph and the RegTech by way of a three-cornered amalgamation of Subco and Graph under the OBCA pursuant to which Amalco became a wholly-owned subsidiary of the Issuer in accordance with the Amalgamation Agreement;

"**Amalgamation Agreement**" means the agreement dated November 6, 2018 made among the RegTech, Subco and Graph;

"**Annual MD&A**" means RegTech's MD&A for the year ended April 30, 2018;

"**Associate**" has the meaning ascribed to such term in the *Securities Act* (British Columbia), as amended, including the regulations promulgated thereunder;

"**Auditors**" has the meaning ascribed to it in section 20.1 of this Listing Statement;

"**BCBCA**" means the Business Corporations Act (*British Columbia)*, as amended, including the regulations promulgated thereunder;

"**Bitnine**" means Bitnine Global, Inc., one of two joint venture partners who collectively founded Graph;

"**Blockchain**" means a distributed ledger comprised of blocks that serves as a historical transaction record of all past transactions and can be accessed by anyone with appropriate permissions. Blocks are chained together using cryptographic signatures.

"**Board**" means the board of directors of the Issuer;

"**Certificate of Amalgamation**" means the certificate filed with the Director under the OBCA in connection with the Amalgamation;

"**Common Shares**" means the common shares of the Issuer;

"**Company**" unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual;

"**Computershare**" means Computershare Investor Services Inc.;

"**Concurrent Financing**" means the private placement of 3,354,867 Financing Units at $0.30 per Financing Unit for aggregate gross proceeds of $1,006,460 that closed immediately prior the Acquisition;

"**Consolidation**" means the consolidation of the issued and outstanding RegTech Shares on the basis of one New RegTech Share for every ten (10) RegTech Shares issued and outstanding on the Consolidation Effective Date;

"**Consolidation Effective Date**" means the date on which the Consolidation was effective;

"**CSE**" means the Canadian Securities Exchange;

"**CSE Listing**" means the listing of the Common Shares on the CSE;

"**CSE Policies**" means the rules and policies of the CSE in effect as of the date hereof;

"**Datametrex**" means Datametrex AI Limited;

"**Effective Date**" means the effective date of the Amalgamation (Toronto time), which shall be the date on the Certificate of Amalgamation;

"**Effective Time**" means the time set out in the Certificate of Amalgamation for the Amalgamation (Toronto time) on the Effective Date;

"**Escrow Agent**" means Computershare, in its capacity as escrow agent for the Common Shares held in escrow under the Escrow Agreement pursuant to CSE Policies;

"**Escrow Agreement**" has the meaning ascribed to it in section 10 of this Listing Statement;

"**Financial Statements**" means the annual statement of financial position of RegTech as at April 30, 2018, 2017 and 2016 and the statements of comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended;

"**Financing Shares**" means the Graph Shares issued in connection with the Concurrent Financing that will be exchanged for Common Shares on a 1:1 basis at the closing of the Acquisition;

"**Financing Warrant**" means warrants of Graph issued in connection with the Concurrent Financing that entitle the holder to acquire one Graph Share for each Financing Warrant held at a price of $0.40 per Graph Share for a period of 18 months from the closing of the Concurrent Financing, which will be exchanged for Warrants with similar terms on a 1:1 basis at the closing of the Acquisition;

"**Financing Unit**" means a unit of Graph that is comprised of one Financing Share and one Financing Warrant;

"**Finder's Fee**" means the fee payable to 514 Finance Inc. in Common Shares as consideration for introducing the parties to the Transaction, equal to 0.5% of the pre-money valuation of Graph;

"**Finder's Fee Shares**" means the shares payable pursuant to the Finder's Fee;

"**Finder's Warrants**" means the finder's warrants of the Issuer following completion of the Transaction;

"**Graph**" means Graph Blockchain Limited;

"**Graph Financial Statements**" means the audited statement of financial position of Graph as at July 31, 2018, and the statements of comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the period from incorporation (November 22, 2017) to July 31, 2018;

"**Graph Finder's Warrants**" means the 1,665,818 finder's warrants issued to certain finders on the closing of the Graph Private Placement (on a post Graph Share Split basis), each Graph Finder's Warrant entitling the holder thereof to purchase one Graph Share at a price of $0.083 for a period of two years following the closing of the Graph Private Placement;

“**Graph Private Placement**” means the non-brokered private placement completed by Graph on January 10, 2018 of 41,843,787 Graph Shares at a price of $0.083 per Graph Share for aggregate gross proceeds of $3,455,376 (on a post Graph Share Split basis);

“**Graph Shareholders**” means the shareholders of Graph;

“**Graph Shares**” means the common shares in the capital of Graph;

“**Graph Share Split**” means the stock split of Graph Shares on the basis of 1.210976238250372 post-split Graph Shares for each pre-split Graph Share, effective October 1, 2018;

“**Insider**” has the meaning ascribed to such term in the *Securities Act* (British Columbia), as amended, including the regulations promulgated thereunder;

“**Interim Financial Statements**” means the interim statement of financial position of RegTech as at July 31, 2018 and the statements of comprehensive loss, changes in shareholders’ equity (deficiency), and cash flows for the quarter then ended;

“**Interim MD&A**” means RegTech’s MD&A for the quarter ended July 31, 2018;

“**Issuer**” means Graph Blockchain Inc. (formerly Reg Technologies Inc.) following completion of the Transaction;

“**Joint Venture Agreement**” means the joint venture agreement dated November 21, 2017 between Bitnine and Datametrex establishing Graph as a joint venture.

“**Listing Date**” means the date of the CSE Listing;

“**Listing Statement**” means this listing statement;

“**MD&A**” means management’s discussion and analysis;

“**Name Change**” means the filing of articles of amendment pursuant to the BCBCA to change to the name of RegTech to “Graph Blockchain Inc.”.

“**New RegTech Share”** means the RegTech Shares following the completion of the Consolidation;

“**OBCA**” means the *Business Corporations Act* (Ontario), as amended, including the regulations promulgated thereunder;

“**person**” means a Company or individual;

“**Plan**” has the meaning ascribed to it in section 8 of this Listing Statement;

“**Pro-Forma Financial Statements**” means the unaudited pro forma statement of financial position for the Issuer as at July 31, 2018 to give effect to the Transaction as if it had taken place as of July 31 2018, which is attached as Schedule “B” of this Listing Statement;

“**Rainbow**” means Rainbow Soft Co. Ltd.

“**RegTech**” means Reg Technologies Inc.;

"**RegTech Shares**" means common shares in the capital stock of RegTech;

"**Related Person**" has the meaning ascribed thereto in the CSE Policies;

"**SEDAR**" means System for Electronic Document Analysis and Retrieval;

"**Stock Option Plan**" means the Issuer's stock option plan providing for the grant of options to the Issuer's directors, officers, employees and consultants in accordance with the provisions of the Stock Option Plan and the CSE Policies.

"**Subco**" means 2659468 Ontario Inc., a wholly-owned subsidiary of RegTech incorporated pursuant to the laws of the Province of Ontario to facilitate the completion of the Amalgamation;

"**Subco Shares**" means shares in the common shares of Subco;

"**Transaction**" means the completion of the Acquisition and the CSE Listing;

"**Warrants**" means the warrants of the Issuer following completion of the Transaction.

## FORWARD LOOKING STATEMENTS

Certain statements contained in this Listing Statement constitute forward-looking information and forward-looking statements (collectively, "**forward-looking statements**") pursuant to the applicable securities laws. All statements, other than statements of historical fact, contained in this Listing Statement are forward-looking statements, including, without limitation, statements regarding the future financial position, business strategy, proposed acquisitions, budgets, projected costs and plans and objectives of the Issuer. The use of any of the words "anticipate", "intend", "continue", "estimate", "expect", "may", "will", "plan", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Examples of such statements include: (A) expectations regarding the Issuer's ability to raise capital; (B) the intention to grow the business and operations of the Issuer; and (C) the use of available funds of the Issuer. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Listing Statement. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to: the economy generally; obtaining requisite licenses or governmental approvals to conduct business; the revenues from the Issuer's proposed business relating to Blockchain technology, if any revenues are obtained; consumer interest in the products of the Issuer; competition; and anticipated and unanticipated costs. These forward-looking statements should not be relied upon as representing the Issuer's views as of any date subsequent to the date of this Listing Statement. Although the Issuer has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Issuer. Additional factors are noted under "Risk Factors" in this Listing Statement. The forward-looking statements contained in this Listing Statement are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this Listing Statement are made as of the date of this Listing Statement and the Issuer does not undertake an obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless required by applicable securities legislation.

## GENERAL MATTERS

Any market data or industry forecasts used in this Listing Statement, unless otherwise specified, were obtained from publicly available sources. Although the Issuer believes these sources to be generally reliable, the accuracy and completeness of such information are not guaranteed and have not been independently verified.

Statistical information included in this Listing Statement and other data relating to the industry in which the Issuer intends to operate is derived from recognized industry reports published by industry analysts, industry associations and independent consulting and data compilation organizations.

In this Listing Statement, references to "C$" are to the lawful currency of Canada and references to "US$" are to the lawful currency of the United States of America.

## 1. CORPORATE STRUCTURE

### 1.1 Corporate Name and Office

Upon closing of the Acquisition, the Issuer's head and business offices will be the offices maintained by Graph prior to the Acquisition.

The Issuer's head office is located at 2161 Yonge Street, Suite 210, Toronto, Ontario, Canada, M4S 3A6.

The Issuer maintains its registered and records office at 1055 West Georgia Street, Royal Centre, Suite 1500, Vancouver, BC, V6E 4N7.

The Issuer also has a sales office at 610-1125 Howe Street, Suite 32, Vancouver, British Columbia, Canada, V6Z 2K8 and a branch office in Seoul, Korea at #A504, 401, Yangcheon-ro, Gangseo-gu, Republic of Korea. Additionally, a sales partner and significant shareholder of the Issuer, Bitnine, has a sales office in Silicon Valley, California at 3945 Freedom Circle, Suite 260, Santa Clara, CA 95054 USA.

While management of the Issuer is located in Toronto, Ontario, Canada, substantially all of the Issuer's activities as of the date of this Listing Statement, including product development, sales and distribution, occur in the Republic of Korea.

The Korean branch office is subject to the laws and regulations of the Republic of Korea and is necessary for the Issuer's operations in Korea and allows the Issuer to comply with the laws of Korea, which is conducive to maintaining positive relationships with local entities upon whom the Issuer's operations are substantively reliant as of the date of this Listing Statement. All books and records of the branch office are located at its office in Korea.

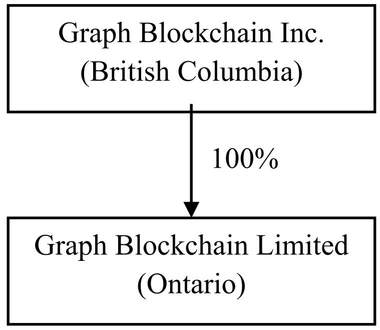
The Issuer's wholly owned subsidiary, Graph, will have its head and registered office 2161 Yonge Street, Suite 210, Toronto, Ontario, Canada, M4S 3A6.

### 1.2 Jurisdiction of Incorporation

The Issuer was incorporated under the name Reg Resources Corp. by Notice of Articles dated October 6, 1982, under the *Company Act* (British Columbia). The constating documents of the Issuer were amended on (i) February 23, 1993, to change the name of the Issuer to Reg Technologies Inc., (ii) April 5, 2005, to affirm that the pre-existing company provisions no longer apply to the Issuer, (iii) November 27, 2012 to increase the authorized share capital of the Issuer; and (iv) November 6, 2018, to change the name of the Issuer to Graph Blockchain Inc.

### 1.3 Intercorporate Relationships

The following chart illustrates the intercorporate relationships that exists among the Issuer and its subsidiaries as at the date hereof.




**1.4 Fundamental Change**

The Issuer is applying to list the Common Shares on the CSE following the Acquisition. Prior to completing the Acquisition, the Issuer was known as Reg Technologies Inc., with no subsidiaries, affiliates or associated companies and Graph was a privately held Ontario company.

**1.5 Non-Corporate Issuers and Issuers Incorporated Outside of Canada**

The Issuer is not a non-corporate issuer nor an issuer incorporated outside of Canada.

## 2. GENERAL DEVELOPMENT OF THE BUSINESS

**2.1 General Development of the Business**

Immediately prior to the Acquisition, the Issuer did not operate a business. Prior to such time, and during the Issuer's three (3) most recently completed financial years, the Issuer was principally a development stage company engaged in the business of developing and commercially exploiting an improved axial vane-type rotary engine known as the RadMax rotary technology used in the design of lightweight and high efficiency engines, compressors and pumps.

In September 2016, RegTech entered into an asset purchase and sale agreement with REGI U.S., Inc. ("**Regi**"), pursuant to which RegTech sold all of its assets, including but not limited to all intellectual property, to REGI U.S., Inc (the "**Sale Agreement**"). The consideration received was 51,757,119 common shares of REGI U.S., Inc. RegTech obtained shareholder approval for the transaction by special resolution at a special meeting of the shareholders on November 18, 2016. The transaction received approval from the TSX Venture Exchange on February 17, 2017. RegTech Shares were voluntarily delisted from the TSX Venture Exchange at such time. RegTech subsequently issued its shareholdings in REGI U.S., Inc. as a dividend in kind to its shareholders following such delisting.

On November 6, 2018, Graph issued 3,354,867 Financing Units in connection with the Concurrent Financing for aggregate gross proceeds of $1,006,460. The Financing Shares and Financing Warrants issued in connection with the Concurrent Financing were exchanged for Common Shares and Warrants on completion of the Acquisition on a one for one basis.

On November 6, 2018, RegTech entered into the Amalgamation Agreement with Subco and Graph to carry out the Acquisition initially announced by RegTech on June 29, 2018 following the signing of the letter of intent between RegTech and Graph.

The Acquisition was carried out by way of a three-cornered amalgamation in accordance with the provisions of the OBCA, pursuant to which, among other things:

(a) Subco and Graph amalgamated to form Amalco pursuant to the OBCA in the manner set out in the Amalgamation Agreement;

(b) each Graph Share issued and outstanding immediately prior to the Effective Time (including the Financing Shares) was exchanged by each Graph Shareholder for 1 fully paid and non-assessable Common Share;

(c) each Graph Share exchanged for 1 fully paid and non-assessable Common Share in accordance with paragraph (b) above was cancelled;

(d) each Subco Share issued and outstanding immediately prior to the Effective Time was exchanged for one (1) share of common shares of Amalco;

(e) each Subco Share exchanged for one (1) share of common shares of Amalco in accordance with paragraph (d) above was cancelled;

(f) Amalco issued 999,900 common shares of Amalco to the Issuer;

(g) each Financing Warrant outstanding immediately prior to the Effective Time was exchanged for one (1) Warrant on economically equivalent terms;

(h) each Graph Finder's Warrant outstanding immediately prior to the Effective Time was exchanged for one (1) Finder's Warrant on economically equivalent terms;

(i) all Graph Finder's Warrants and Financing Warrants exchanged for Finder's Warrants and Warrants, as applicable, in accordance with paragraphs (g) and (h) above were cancelled;

(j) Amalco became a wholly-owned subsidiary of the Issuer.

Shareholder approval for the Consolidation and the Name Change was obtained at an annual and special meeting of the shareholders of RegTech on September 17, 2018.

The Transaction was approved by a majority of the shareholders of Graph at a special meeting held on September 4, 2018 and a majority of the shareholders of RegTech by way of written resolution prior to the date hereof.

The acquisition of Graph was an arm's length reverse takeover transaction for the Issuer. No formal valuation was commissioned or received in connection with the Acquisition.

Additional information pertaining to the Issuer including financial information, is contained in the various disclosure documents of the Issuer filed with applicable securities commissions and made available under the Issuer's SEDAR profile at www.sedar.com.

## 2.2 Significant Acquisitions or Dispositions

Other than the acquisition of Graph described in this Listing Statement and the disposition of its business to Regi, the Issuer has not completed any significant acquisitions or dispositions during the Issuer's three (3) most recently completed financial years.

On September 16, 2016, RegTech entered into an asset purchase agreement with Regi pursuant to which RegTech agreed to sell all or substantially all of its assets to Regi in consideration for an aggregate of

51,757,119 common shares in the capital of Regi. At the time of such sale, Regi owned the U.S. marketing and intellectual property rights to the assets of RegTech and this transaction enabled RegTech to consolidate all of its assets into a single company and to better concentrate its efforts, resources and personnel to the development its RadMax technology. RegTech received shareholder approval of the sale of its assets to Regi on November 18, 2016. Upon completion of the sale, Regi carried on the business that RegTech had been carrying on to date. RegTech subsequently disposed of its shareholdings in Regi as a dividend in kind to its shareholders following completion of the transaction.

On November 6, 2018, RegTech completed the acquisition of Graph pursuant to the Amalgamation Agreement.

### 2.3 Trends, Commitments, Events or Uncertainties

Except as may be disclosed elsewhere in this Listing Statement, the Issuer is not aware of any trend, commitment, event or uncertainty presently known to management and reasonably expected to have a material effect on the Issuer's business, financial condition, or results of operations.

## 3. NARRATIVE DESCRIPTION OF THE BUSINESS

### 3.1 (1) Description of the Business

Upon the closing of the Acquisition, the Issuer intends to carry on the business of Graph.

Graph is a private company incorporated under the laws of the Province of Ontario and is based in Toronto, Ontario. Graph is a Blockchain technology company that develops, markets and implements high performance private Blockchain database management solutions. Blockchain is a type of distributed digital ledger that is used to record transactions across many computers so that the record cannot be altered retroactively without the alteration of all subsequent blocks and collusion of the network.

Graph was established as a joint venture company between Bitnine and Datametrex on November 22, 2017. Datametrex is a reporting issuer in British Columbia, Alberta and Ontario listed on the TSX Venture Exchange that is focused primarily on collecting, analyzing and presenting structured and unstructured data using machine learning and artificial intelligence, and engaging in industrial scale cryptocurrency mining. Datametrex was incorporated under the OBCA on March 4, 2011 and is based in Toronto, Ontario, Canada. Bitnine is a private company incorporated in the state of California on November 12, 2015 that specializes in providing graph database management systems and data modelling solutions and is based in San Francisco, California. Most significantly, Bitnine developed the AgensGraph solution on which the Graph Blockchain Solution is substantially dependent, as is discussed in further detail below.

Pursuant to the terms of the joint venture agreement, Datametrex was responsible for organizing the corporation and for arranging for its initial financing. Bitnine was in turn responsible for assisting in the development of the Graph Blockchain Solution prototypes and is also responsible for marketing and selling the product in the Republic of Korea, a jurisdiction in which Bitnine has a significant customer base.

At a high level, the Issuer's business will revolve around its "Graph Blockchain Solution", currently in the quality testing phase for version 1.0. The Graph Blockchain Solution enables users to replicate the full set of transactions of a peer in the Blockchain by modeling them in a graph database. In computing, a graph database is a database that gives equal importance to data and the relationships between data points. A key benefit of the graph structure is the ability to link data from a variety of different sources directly (in this case, separate blocks in the chain), and retrieve them with one operation. Specifically, the graph database modeling provides for a unique and more streamlined way of filtering through Blockchain based data, providing users with querying capabilities, data optimization, and advanced analytics. In addition to enhanced transaction speed, Graph Blockchain provides essential benefits such as time-to-market agility, visualization of data flows, and transparent transactions. Since the solution uses a hybrid of both graph and traditional relational databases, it offers flexibility in terms of development in situations where the applicable business environment continuously changes. As a complete end-to-end solution that is designed to integrate fully into an end user's existing technical infrastructure, Graph offers customized business intelligence applications and dashboards for the end user, according to the client's needs, giving users enhanced traceability and analytical insights. Please refer to the research and development objectives described in part (a) of this section for a more detailed breakdown of the existing and planned features and functionalities of Graph's Blockchain Solution.

As of the date hereof, the Issuer has not entered into any contracts with end users for its Graph Blockchain Soluition. Rather, the Issuer, together with its developemnt partner, Bitnine, has contracted with several large multinational entities to build scaled down prototypes to provide such entities with a proof of concept for the Graph Blockchain Solution. These scaled down prototypes are built on the basis of an earlier version of the Graph Blockchain Solution and provides users with only a fraction of the functionality the Graph Blockchain Solution will offer. As part of this protoype building process, the Issuer has gained a considerable amount of feedback and insight on its product from both Bitnine, who built the scaled down prototype (on the basis of the core Blockchain engine provided by the Issuer) and from the end users. It is this technical knowledge transfer, insight and feedback that the Issuer intends to employ as it begins to market its Graph Blockchain Solution.

Despite its involvement in the Blockchain industry, the Issuer is not a cryptocurrency company and has no intention of holding cryptocurrencies or otherwise accepting cryptocurrencies as a method of payment for its Graph Blockchain Solution.

***Intellectual Property Development***

The Issuer utilizes two open source technologies as the underlying building blocks of its Graph Blockchain Solution. In particular, the Issuer uses Hyperledger Fabric which was developed by IBM for the Blockchain aspects of its solution and AgensGraph, a technology developed by Bitnine, for the graph modeling aspects of its solution. The unique aspect of the Graph Blockchain Solution relates to the manner in which these two technologies are customized and combined together to model blockchain technologies on a graph database.

This methodology for combining these two technologies was initially developed by an employee of Bitnine. On March 23, 2018, the employee filed two patents with the United States Patent and Trademark Office, in concert with filing two patents with the Korean Intellectual Property Office on March 26, 2018. The patents relate to methodologies, processes and algorithms developed by the employee which focus on the enhancement of transactional performance for private Blockchains. This includes data gathering and throughput, optimization and presenting the data to a user interface dashboard at rates that are considerably faster than traditional relational based systems. Pursuant to a Combined Declaration and Assignment for Utility Patent and Design Patent Applications dated April 4, 2018, the employee transferred his entire and exclusive right, title and interest to the four patent applications and all Letters Patent to be obtained with respect to said applications to Graph in consideration for an aggregate payment of $40,000, of which $10,000 has been paid as of the date hereof.

As of the date hereof, an additional two patents are in the process of being prepared by the Issuer for filing with the United States Patent and Trademark Office. These patents relate to the control system and method for controlling a private blockchain system, including the technical schema of the solution, and the visualization and analysis of the graph data.

The above noted patents are still in the application stage and there can be no guarantees that the Issuer will obtain such patents.

The Issuer also intends to protect any rights it may in hold in the Graph Blockchain Solution by attempting to ensure that any intellectual property rights that may otherwise be owned by or attributable to its developers in the Republic of Korea are transferred to the Issuer. More specifically, all developers currently have assignment of intellectual property clauses in their employment contracts.

Finally, the contracts that the Issuer has with its distributors and will have with the ultimate end-users of its solutions also provide that the ownership of all intellectual property pertaining to the Issuer or its subsidiary and their products, including trademarks, trade names and copyright, remains with the Issuer or its subsidiary.

For a discussion of the risks relating to the Issuer's intellectual property, please refer to "*Protection of Intellectual Property Rights*", "*Violation of Third Party Intellectual Property Rights*" and "*Use of Open Source Software*" in "RISK FACTORS".

### (a) Business Objectives

The Issuer expects to accomplish the following business objectives over the following 12-month period.

Further information on the Samsung contract included in the table below is disclosed in further detail in "Principal Products" as the Issuer has already commenced development of this prototype as of the date of this Listing Statement. The other contracts listed in this section have not been secured as of the date of this Listing Statement.

| Business Objective | Milestones | Anticipated Timing |
|---|---|---|
| **Revenue Growth** | **Secure contract with Zonetail Inc.**<br><br>Zonetail Inc. is an early-stage hospitality booking platform company. The Issuer is currently in discussions with Zonetail to provide Blockchain data management solutions which will be used for near real-time reporting. | **November 2018** |
| | **Complete prototype for Samsung**<br><br>On July 16, 2018, Graph announced that it had been engaged to build a prototype solution for Samsung for consideration of approximately CAD$300,000 and has since commenced work. The successful completion of this prototype will be a significant milestone for the Issuer. | **January 2019** |

| | | |
|---|---|---|
| | **Secure and announce KTNET contract**<br><br>On August 22, 2018, Graph announced that it has signed a Memorandum of Understanding with KTNET to develop and implement a blockchain-based electronic trade services platform. KTNET was established in 1989 by the Korean government and funded by the Korean International Trade Association (KITA). | **March 2019** |
| **Leverage Client Relationships** | **Lotte Group**<br><br>Datametrex currently provides services to certain divisions within Lotte Group, an international conglomerate based in Korea that operates in a diverse range of industries including candy manufacturing, beverages, retail, financial services, electronics, publishing and entertainment. As Datametrex is a significant shareholder of the Issuer, the intention is to leverage the existing relationship Datametrex has with the Lotte Group to offer blockchain solutions to certain Lotte Group divisions. | **December 2018** |
| **Geographic Growth** | **Establish a North American Project Management Team**<br><br>The Issuer intends to establish a project management team that will oversee all aspects of the Issuer's significant contracts to ensure efficient processes, timely communication and effective project scheduling. | **November 2018** |
| | **Begin establishing dedicated N. American sales team**<br><br>As described in the sales and marketing section below, the Issuer has a dedicated sales team in the Republic of Korea to support IBM and identify new direct sales opportunities. The Issuer's goal is to expand its sales and marketing efforts in North America. | **January 2019** |
| | **Generate new US and Canada direct sales**<br><br>Subsequent to the establishment of the North American dedicated sales team, the Issuer's goal is to generate new direct sales in the US and Canada by leveraging solutions that have been proven in the Korean market. | **May 2019** |
| **Research and Development** | **Complete quality testing of GBC Solution v1.0**<br><br>As of September 2018, Graph rolled out version 1.0 of the core system.<br><br>Functionalities and features include:<br>transaction input/output, user and peer information, document history and attachments (including verified links to files that exist outside of the blockchain), blockchain administration capabilities (including | **December 2018** |

| | | |
|---|---|---|
| | dashboard, monitoring and solution configuration settings), and a data integrity validation process. | |
| | **Submit applications for additional patents**<br><br>Apply for new or improved patents that include improved blockchain data anomaly detection, methodologies to minimize the load on the blockchain network when replicating data and including more robust encryption mechanisms in the private blockchain. | **December 2018** |
| | **Complete development of GBC Solution v1.1**<br><br>This version is intended to utilize the technology underlying the planned December 2018 patent applications.<br><br>Functionalities and features include:<br>Upgraded technological mechanisms for data flow and data integrity, connectivity of peers in the blockahin, separation between the blockchain administrator and the organization administrator, customized user interface, and increased utilization of space inside the blockchain. | **March 2019** |
| | **Complete quality testing of GBC Solution v1.1**<br><br>This relates to the completion of quality testing with respect to version 1.1. | **June 2019** |
| | **Complete beta version for GBC Solution v1.2**<br><br>The Issuer intends to explore additional experimental features that include better utilization of graph theory, the mathematical concept underlying graph databases, as well as advanced features such as fraud risk detection. | **December 2019** |

## (b) Funds Available

The Concurrent Financing raised aggregate gross proceeds of $1,006,460. In conjunction with $2,076,058 in working capital available to the Issuer as of September 30, 2018, the Issuer had aggregate gross funds of $3,082,518 available following completion of the Concurrent Financing. After deducting fees and expenses of approximately $33,000 for the Concurrent Financing and $250,000 in transaction costs associated with the Acquisition (inclusive of legal, accounting, printing costs and various fees associated with the Acquisition), the Issuer has $2,799,518 of estimated funds available upon completion of the Transaction.

The table set forth below contains a more detailed breakdown of the estimated available funds following completion of the Transaction:

| | Following completion of the Concurrent Financing ($) |
|---|---|
| Estimated consolidated working capital as of September 30, 2018 | $2,076,058 |
| Gross Proceeds of Concurrent Financing | $1,006,460 |
| Concurrent Financing fees and expenses | $(33,000) |
| Net proceeds from Concurrent Financing | $973,460 |
| Transaction costs | $(250,000) |
| **TOTAL** | $2,799,518 |

## (c) Use of Funds

At a high level, the Issuer intends to use the funds available to it principally to further its business objectives and pursue its growth strategy as follows:

- Continue to grow staff in key areas, including business development, engineering, operations, and human resources, as well as management and executive-level recruitment;
- Accelerating business development growth;
- Expanding the scope of research and engineering and accelerating progress on existing projects;

Funds that are not immediately committed to the various uses described above will be invested in short-term, investment-grade interest-bearing securities such as money market accounts, certificates of deposit, commercial paper, guaranteed obligations, and bank demand deposits.

The table below provides a more detailed breakdown of the proposed principal uses for the estimated funds available over the next twelve months.

| Use of Available Funds | Following completion of the Amalgamation and Concurrent Financing ($) |
|---|---|
| Revenue Growth | $570,490 |
| Leveraging Client Relationships | $121,663 |
| Geographic Growth | $372,974 |
| Research and Development | $454,710 |
| Unallocated Working Capital | $1,279,681 |

| | |
|---|---|
| **TOTAL** | **$2,799,518** |

The above uses of available funds are estimates only. Notwithstanding the proposed uses of available funds as discussed above, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary, including due to demands for shifting focus or investment in marketing and business development activities, requirements for accelerating, increasing, reducing, or eliminating initiatives in response to changes in market, regulations, and/or developments in research and design, unexpected setbacks, and strategic opportunities, such as partnerships, strategic partners, joint ventures, mergers, acquisitions, and other like opportunities. It is difficult at this time to definitively project the total funds necessary to execute the planned undertakings of the Issuer. For these reasons, management considers it to be in the best interests of the Issuer and its shareholders to permit management a reasonable degree of flexibility as to how the Issuer's funds are employed among the above uses or for other purposes, as the need may arise.

**(2) Principal Products**

The Issuer's principal product is the Graph Blockchain Solution, which is discussed above.

As of the date hereof, the Issuer already has a number of contracts in respect of the development of customized prototype Blockchain interfaces based on the underlying Graph Blockchain Solution, all of which, with the exception of a contract with Revive Therapeutics Ltd., are with customers in the Republic of Korea. With respect to a majority of these contracts, the Issuer has already delivered to the end user a prototype solution which the end user is currently reviewing within the context of their business to ensure it meets their needs. Such contracts are therefore not referenced in the *"Business Objectives"* section above, which provides additional details on the projected timelines for previously announced contracts for which the prototypes are still in development, such as Samsung. For greater certainty, with the exception of the contract for Samsung, which is also referenced in *"Business Objectives"* above, all of the contracts discussed below have been fulfilled by the Issuer as of the date of this Listing Statement.

These prototype contracts are all independent from any future contracts for the development of the full scale Graph Blockchain Solution and none of the customers below have any obligation to proceed with the purchase and integration of the Graph Blockchain Solution.

On December 14, 2017, Graph entered into a Collaboration and Services Agreement with Revive Therapeutics Ltd. in connection with developing a Blockchain solution for Revive's proprietary patient-focused program enabled by artificial intelligence dedicated to the medical cannabis industry valued at $15,000. Revive is a publicly traded corporation on the TSX Venture Exchange operating in Ontario, Canada that is focused on the research, development and commercialization of novel therapies and technologies for the medical cannabis and pharmaceutical sectors. Pursuant to the agreement, Graph delivered an initial technical assessment (i.e. development plan) and corresponding budget for the development of a Blockchain solution on July 31, 2018 and invoiced Revive $5,000 for the work that was completed. Upon Revive completing their review of the initial technical assessment, it is anticipated that a prototype will be developed in the first quarter of 2019. The balance of the contract will be due and payable once the prototype is completed. However, Revive has no contractual obligation to proceed to the proof of concept prototype phase.

Despite its involvement with Revive, the Issuer has no intention of being involved in the cannabis industry other than through its limited role of providing software solutions to companies in this space. For greater certainty, the Issuer has no intention of producing, distributing or marketing cannabis. Due to the fact that its involvement in the cannabis industry is not material to its business as of the date hereof and that it has no involvement in the U.S. marijuana industry, the Issuer has not included in this Listing Statement the disclosure expected by CSA Staff Notice 51-352 [Revised] *Issuers with U.S. Marijuana-Related Activities*. If later developments in the Issuer's business result in its involvement in the cannabis industry being material or it being involved in the marijuana industry in the United States, the Issuer will provide its investors with such disclosure.

On February 5, 2018, Graph, through its distribution agreement with Rainbow (for a further description of Rainbow, please see "*Distribution and Target Markets*") entered into a definitive agreement in partnership with IBM for Hanhwa, a Korean conglomerate, pursuant to which the Issuer developed a large-scale graph database and Blockchain solution prototype in partnership with IBM for Hanhwa's database management systems. The prototype solution was inspected and certified by Rainbow on or about August 7, 2018. The Issuer has received funds for this prototype contract in the amount of approximately $160,000 CAD.

On March 5, 2018, Graph, through its distribution agreement with Rainbow, entered into a definitive agreement to develop a large-scale graph database and Blockchain solution prototype in partnership with IBM for KB Life Insurance Co, Ltd. ("**KB**"), a leading life insurance company headquartered in Seoul, South Korea. The prototype solution was inspected and certified by Rainbow on or about August 7, 2018. The Issuer has received funds for this prototype contract in the amount of approximately $400,000 CAD.

On August 3, 2018, Graph, through its distribution agreement with Rainbow, entered into a definitive agreement to develop a private Blockchain graph database solution prototype in partnership with IBM for LG Electronics Inc. ("**LG**"), a multinational electronics manufacturer, headquartered in Seoul, South Korea. The solution is to build a private enterprise Blockchain database management system. The prototype solution was inspected and certified by Rainbow on or about October 12, 2018. The Issuer has received funds for this prototype solution in the amount of approximately $300,000 CAD.

On October 2, 2018, Graph, through its distribution agreement with Rainbow, entered into a definitive agreement to develop a private Blockchain solution prototype in partnership with IBM for Samsung Electronics Co. Ltd. ("**Samsung**"), the world's largest manufacturer of mobile phones and smart phones, headquartered in Suwon, South Korea. The solution is to build a private enterprise Blockchain database management system. Bitnine has since commenced work on the prototype solution and the Issuer expects to have the prototype completed by January 2019. Pursuant to the terms of the definitive agreement, upon acceptance of the prototype solution, the Issuer anticipates receiving funds for this prototype solution in the amount of approximately $300,000 CAD.

Receipt of funds for prototype solutions by the Issuer are initially deferred, and are recognized as revenue upon the acceptance of the prototype solution.

## (3) Production and Sales

### *Production*

As of the date of the Listing Statement, the Issuer employs 5 full time research and development employees, who are located in the Republic of Korea and who are responsible for building, testing and integrating the Blockchain technology and the graph database that comprise the Graph Blockchain Solution. With the development of version 1.0 of the Graph Blockchain Solution being completed and currently in the quality testing phase, the Issuer is moving all significant research and development activities in house to its development team in the Republic of Korea, gradually phasing out its reliance on external technical consulting from Bitnine. With respect to the prototype solutions discussed above, the Issuer relied extensively on the consulting and technical expertise of the development team at Bitnine for the prototypes' development and outsourced a significant amount of its technical work to them. As a result of this significant outsourcing, the development of these prototypes resulted in such prototypes having minimal margins. The Issuer has made significant progress towards, and intends to continue, enhancing the knowledge base of its technical team, largely through knowledge gained during the prototype development undertaken by Bitnine. By early 2019, the Issuer aims to only consult with Bitnine for certain highly technical prototype builds and to perform the remainder of its research and development work in house. The margins on any contracts for the fully integrated Graph Blockchain Solution itself are anticipated by the Issuer to be much higher.

***Distribution and Target Markets***

Under the terms of the Joint Venture Agreement, Bitnine shares responsibility with the Issuer for the marketing and sales of Graph's products and solutions.

In addition, Graph currently has an agreement with Rainbow, a company with its head office and operations in the Republic Korea, dated February 26, 2018 to act as a non-exclusive distributor in the Republic of Korea of its Graph Blockchain Solution (including the prototypes). Pursuant to the terms of the distribution agreement, Rainbow has a non-exclusive right to market and distribute products for the Issuer in the Republic of Korea for a period of twenty-four months. This initial twenty-four month period may be renewed for a second twenty-four month period upon the prior mutual agreement of the parties. Under the terms of the agreement, once Rainbow has an order from a customer for the Issuer's solution, Rainbow shall provide the same to the Issuer and the Issuer will then prepare an invoice for the work requested and begin modifying the Graph Blockchain Solution according to the specifications requested. Rainbow will be responsible for liaising with the customer, delivering the solution to the customer, remitting all funds received from the customer to the Issuer and providing the Issuer with an inspection certificate once the product is accepted. As compensation for acting as a distributor, Rainbow earns a fee equal to 5% of the value of the contract to the Issuer.

As of the date hereof, almost all of the Issuer's contracts for the development of prototype solutions have been procured by IBM. As Graph's Blockchain Solution is based on IBM's Hyperledger Fabric, IBM is able to offer the Issuer's solution as a seamless add-on to existing technical solutions it is building for customers in a variety of industries. In other words, IBM is able to offer end users Graph's Blockchain Solution as an integrated component of the larger software solutions it is building for companies like LG and Samsung.

To reduce its economic dependence on IBM and to initiate direct sales of its customized software solutions, on April 20, 2018, Graph established a Korea branch office with a sales department. Through its Korean sales team, the Issuer intends to focus its sales efforts on engaging existing clients of Datametrex and Bitnine, including Samsung, LG Electronics and the Lotte, and entering into agreements with such companies for the development of bespoke Blockchain solutions. As of the date of this Listing Statement, the Korean sales team has not procured any contracts for the Issuer. The Issuer also intends to build reseller and system integration ("**SI**") partner networks, wherein the partners will incorporate the Issuer's solutions as a complementary offering to their independent products. The ultimate objective is that these partners will conduct an assessment of the client's needs and customize the Graph Blockchain Solution so that it is effectively integrated and functional for the client's environment. The Issuer's marketing and distribution strategy will consist of the combination of selling both directly and through partnerships, which is anticipated to increase the speed of market penetration. Graph has, and the Issuer plans to continue to sponsor trade shows, conferences, and meet-ups to get market recognition among the Blockchain developer community and to generate sales leads. The Issuer also plans to contribute to the Hyperledger open source community. Hyperledger is one of the leading open source frameworks initiated by the Linux Foundation, one of the largest non-profit organizations in the world dedicated to supporting open source technologies, to support the collaborative development of Blockchain-based distributed ledgers. As the Issuer further grows and develops, the Issuer intends to sell its solutions in North America, Europe and Asia through such channels. For greater certainty, the Issuer has no contracts in North America or Europe as of the date hereof.

The principal markets and industries for the solutions offered by the Issuer include, but are not limited to:

- Public sector infrastructure, including the building of a bespoke secure payment gate solution for electric vehicle charging stations;
- Fintech, including the provision of Blockchain solutions for efficient process of real-time transactions;
- Real estate, including the provision of Blockchain solutions and smart contracts;
- Logistics, including the development of Blockchain solutions for shipping and transport;
- Medical industry, including the provision of solutions to provide secure and managed transactions among highly connected entities
- Human Resources, including solutions to track and monitor employee work hours, employee productivity and computer utilization hours; and
- Education sector, including solutions to verify and authenticate degree, diploma and transcript information.

***Services and Customer Support***

While the Graph Blockchain Solution will be simple to install and will not disrupt existing business intelligence systems, the Issuer's business will include an internal customer service team to assist users of the Graph Blockchain Solution with any customer service issues that may arise.

***Sales and Marketing***

The Graph Blockchain Solution will be custom built and sold on an annual fee basis. This fee bundles costs such as solution, installation, initial setting, configuration, warranties and upgrades. The Issuer is analyzing options for unbundling some of these components, which would allow it to reduce the current sticker price of individual units where economies of scale can be achieved. As of the date of this Listing Statement, the Issuer has a dedicated sales team of 4 full time employees located in its Korean branch and 1 full time employee located in its Canadian head office. The team's current role includes supporting IBM's sales proposals, initiating and building relationships with other customers with the goal of closing direct sales, and building the reseller and SI program. As described in the business objectives above, the Issuer also plans on expanding the North American sales team.

***Specialized Skill and Knowledge***

The Issuer has a strong team with significant software development, go-to-market, marketing and Blockchain experience, as is discussed in further detail below. This team is largely comprised of the Issuer's employees and management, all of whom will be active in the day-to-day operations of the Issuer.

For example, the employee in charge of Graph's research and development team in Korea is a full-time employee that has developed businesses, planned and managed projects with various organizations such as government agencies and educational institutes in information technology for over 17 years, including with Bitnine. Currently, he is in the process of obtaining his of Information Technology Engineering Ph. D. degree. His primary research includes traversal performance of Blockchain and use cases of Blockchain technology in databases.

Moreover, since the Korean business environment in which the Issuer primarily operates is significantly different from that found in North America, the management of the Issuer has been structured with the appropriate experience and expertise for operating in this country. This will assist the board in identifying the specific risks associated with the Issuer in operating in Korea, and will ensure that the board's governance and oversight responsibilities are properly discharged.

In terms of management experience in Korea, the geographic focus of the Issuer's business as of the date of this Listing Statement, Steve Kang, the Chief Financial Officer of the Issuer, was born and educated in Korea and worked as a financial analyst for LG Honeywell in Seoul, South Korea. In addition, both Steve Kang and Peter Kim, Chief Executive Officer and a director of the Issuer, are fluent in both English and Korean. The Issuer will also retain independent certified translators when necessary to overcome any language and cultural barriers. Moreover, senior management of the Issuer have taken multiple trips to Korea over the years and have spent considerable time with customers, partners and local advisors in South Korea in an effort to further understand how business is conducted in the Republic of Korea. The Issuer also works with entities like IBM and its distributor, Rainbow, a marketing and distribution company located in Korea, to provide it with further insights on working within these markets. These relationships are on an arm's length basis and there is no common management between either of these entities and the Issuer. The Issuer further intends to utilize this experience and understanding to orient and train the other members of its board of directors on the differences between the North American and the Korean market. This mitigates some of the risk associated with the language barrier and other cultural differences applicable to operating in Korea.

Accordingly, the Issuer believes that, through their previous experience and involvement with companies operating in the Republic of Korea, the Issuer's management and board have the requisite knowledge of the local business environment to effectively conduct business in the Republic of Korea and to develop a governance framework to mitigate the risks of operating in the Republic of Korea. For a more detailed discussion on the Issuer's operations in the Republic of Korea, please see "Foreign Operations" below.

The Issuer's board consists of directors also consists of individuals with a wide breadth of expertise, including capital markets, sales and marketing. For example, David Posner acted as Chief Executive Officer of Nutritional High International Inc. from May 2015 to July 2016, which is listed on the Exchange. Prior to that, he has a twenty year career running privately held real estate funds both commercial and residential based in Toronto.

For directors and officers, refer to section 12.11 (management detail) for more information.

### *Employees and Contractors*

As of the date of this listing statement, the Issuer employed thirteen (13) full-time or near full-time employees and two (2) part-time employees. Two (2) of the full time employees are based in Toronto, Ontario, one (1) is based in Vancouver, British Columbia and ten (10) are based in the Republic of Korea. Both part time employees are based in Toronto, Ontario.

**(4) Competitive Conditions**

The Issuer intends to operate in a niche market segment and focus on developing bespoke blockchain graph database management solutions for companies in a variety of industries.

While the Blockchain and database management markets are generally highly competitive with many established and emerging players, including a number of technology companies that develop private enterprise blockchains such as LeewayHertz, NEM, Quest Global Technologies, and Kaleido, there are few companies focusing on the specific market segment the Issuer has identified. Further, in the Issuer's view, should the intellectual property protections the Issuer has applied for be approved, it will be difficult for other companies to offer products and services similar to that of the Issuer.

The Issuer believes that the Graph Blockchain Solution has the following strengths that differentiate it from the other available Blockchain or database management systems on the market:

Transaction Speed

Graph Blockchain's speed and efficiencies make it an ideal Blockchain platform for real-time transactions, specifically in the fintech, logistics, and real estate sectors.

Data Management

Utilizing its graph database platform, Graph Blockchain presents data to dashboards and user interfaces in real-time. Graph Blockchain technology allows users to filter the data into transactional data and all the related data. This increases the solution efficiencies and is not otherwise available on the market to the Issuer's knowledge. The Issuer's research and development team will also customize a solution that provides access to data for timely strategic decisions.

Advanced Analytics

The Graph Blockchain solution provides real-time advanced analytics. Graph Blockchain's approach provides access to business insights not available through traditional platforms. Management believes that what differentiate this solution from others is its unique method of organizing data. This allows it to generate executable business insights.

**(5) Foreign Operations**

As of the date of this Listing Statement, the Issuer operates primarily in the Republic of Korea. The Issuer anticipates its operations will be dependent on this emerging market for the near term future.

As part of operating in the Republic of Korea, the Issuer is subject to the evolving legal framework in the Republic of Korea with respect to Blockchain technology. To the knowledge of management of the Issuer, while cryptocurrency exchanges and other aspects of the digital currency industry have been curtailed by the Korean government and regulators, no restrictions or conditions have been imposed by the Korean government and regulatory authorities on the ability of the Issuer to operate in Korea in the manner in which its business is presently conducted.

While there are risks to the Issuer associated with changes in the existing legal framework with respect to Blockchain, generally, Korea's legal system, which is a civil law based system, has experienced political and economic stability for many years, despite ongoing military tensions with North Korea. Nevertheless, given the constantly evolving nature of the Issuer's industry, the Issuer intends to work closely with

Korean legal advisors to ensure it is continually able to conduct its business as intended as the legal framework develops. Management and the board of the Issuer will revisit the risks associated with operating in Korea to the extent there are changes to the legislative framework and adjust its business and governance practices accordingly.

Due to the nature of its business, the Issuer is also subject to the legal regime in the Republic of Korea with respect to intellectual property. As is discussed above, the Issuer's strategy to protect any intellectual property rights it may have in the Graph Database Solution is to rely on a combination of intellectual property protections, including patent applications, license, employment and confidentiality agreements and software security measures to further protect its technology and brand. The Republic of Korea has been a World Trade Organization (WTO) member since 1995. WTO member nations must include certain intellectual property protection standards in their national laws, including with respect to patent, copyright and trademarks. The Republic of Korea is also a signatory to a number of international intellectual property agreements. Management believes the standard of intellectual property protection in such jurisdiction to be of a reasonably high standard and thus does not view intellectual property infringement to be a material risk as it relates to its operations in the Republic of Korea.

The Issuer currently owns no real property in the Republic of Korea and does not anticipate any local laws and customs regarding rights and ownership to property to impact its business. The Issuer is not aware of any restrictions on the ownership of property which might impact its business.

As the Issuer will use Korean distributors to facilitate the payment to the Issuer from the sale of its Graph Blockchain Solution to end user customers, the Issuer will also need to rely on and understand banking customs in the Republic of Korea. From their prior experience in operating in Korea, management of the Issuer believes that Korea's banking system and standards for professional services are comparable to that of North American countries. Further, according to the Korea Financial System Stability Assessment by the International Monetary Fund in 2014: "Korea has a well-developed payment, clearing and settlement infrastructure, but there is room to increase compliance with international standards". In addition, to the knowledge of the Issuer, there is no currency transfer limit in Korea. Korea has liberalized foreign exchange controls in line with OECD benchmarks. Foreign firms may remit profits to Canadian banks provided that the foreign firm complies with the notification requirements of applicable legislation.

In terms of corporate structure, management of the Issuer will engage with and supervise local management of the Korean office. Pursuant to Korean law, a branch office is distinct from a subsidiary and is treated as a separate taxable entity that is able to operate as a revenue generating entity. Sales and manufacturing activities are allowed and there is no minimum capital requirement at establishment. Further, branch offices do not maintain their own board of directors. As such, the Issuer maintains responsibility for overseeing the operations of the employees in Korea.

This separation between management of the Issuer and its operations in the Republic of Korea poses certain risks related to internal controls, including with respect to the fact that the books and records applicable to the branch office are maintained in Korea. Specifically, an operational or financial deficiency that is not prevented or detected in a timely manner due to the nature of the Issuer's operations may materially and adversely affect the Issuer and its results of operations.

While the routine administration of the Korean office will be operated by local management, the board of directors has put in place certain mechanisms to reduce the risks relating to internal controls. Specifically, management of the Issuer will approve all major development, capital expenditure and other significant decisions. Further, the Issuer has hired an independent local accounting firm in Korea to provide bookkeeping functions and payroll administration for the Korean office. The Issuer then reviews such information and records on a monthly basis. Further, any accounting or other key documentation which is prepared solely in Korean will be translated into English for provision to the Issuer's board. Peter Kim, the Chief Executive Officer, and Steve Kang are native Korean speakers and are able to review the Korean counterparts of such records and key contracts.

The Issuer's audit committee is responsible for the financial reporting process on behalf of the board of directors and for overseeing the adequacy of the Issuer's system of internal accounting controls. This includes oversight responsibility for financial reporting and continuous disclosure, oversight of external audit activities, oversight of financial risk and financial management control. As of the date of this Listing Statement, the Issuer's audit committee is composed of three members, all of whom are financially literate and two of whom are independent. The members of the Issuer's audit committee have considerable experience reviewing financial statements, including in respect of reporting issuers. One member of the audit committee, Peter Kim, is also fluent is Korean and has a keen understanding of the cultural and business practices in Korea. The Issuer's audit committee and its auditor will also have access to all books and records of the branch office in order to ensure appropriate oversight, and such books and records will be translated into English as necessary. Moreover, MNP LLP, the Issuer's auditor, has previous experience in the Republic of Korea, including with respect to Canadian reporting issuers with operations in Korea. Specifically, it has several staff members fluent in Korean. The engagement partner for the Issuer also has experience in Korea in a predecessor firm. While the experience is not extensive, MNP has spent time to understand local laws and practices. In addition, Mazars Korea is MNP's local affiliate firm. Mazars in an international firm in 86 countries and 20,000 staff. To the extent required to conduct an effective audit, MNP will consider using local affiliate offices as required.

While there is a risk of a failure of internal controls associated with the fact that no member of the Issuer's management is present in Korea, the Issuer believes that this risk is mitigated by the steps outlined above.

The Issuer will also retain a local law firm in Korea to provide legal consulting services and to perform due diligence as needed.

In addition to the above, in order to ensure it remains up to date in managing the risks associated with its operations in the Republic of Korea, the Issuer will:

- facilitate weekly calls with management of the Korean branch office to discuss technical updates to the Graph Blockchain Solution and the business development progress of the sales team;
- conduct visits to its Korean operations or hire independent consultants to do so on at least an annual basis in order to assess the effectiveness and legal compliance of Korean staff, management and operations pursuant to applicable laws; and
- continuously evaluate the efficacy of various electronic and physical communication channels to facilitate transactions and flow of information between management and the Korean operation's management in furtherance of improving communication and responsiveness between the parties.

Management additionally believes that an appropriate legal framework exists for the enforcement of Canadian judgements in the Republic of Korea. The enforcement of foreign judgments in Korea is governed by the Korean Civil Procedure Act. A court may enforce a Canadian judgment provided it satisfies certain requirements of that act including that (i) the international jurisdiction of the foreign court is recognized under legislation or treaties, (ii) the defendant has received under a lawful method, service with sufficient time to reply, (iii) the foreign judgment does not violate public policy – being the 'good morals and other social order' of Korea and (iv) there is reciprocity between Korean and the foreign jurisdiction in which the judgment was rendered. As of the date hereof, Ontario, where the Issuer's management and board of director reside, has already been recognized as a reciprocal jurisdiction. However, as Korea is not a party to the HCCH Convention on the Recognition and Enforcement of Foreign Judgments in Civil and Commercial Matters 1971 (Hague Foreign Judgments Convention) or any other bilateral or multinational treaties for the reciprocal recognition and enforcement of foreign judgments, there is a risk that legislative or judicial changes may prevent the recognition of Canadian judgements in the Republic of Korea.

Finally, the Issuer has not entered into any related party transactions with respect to its operations in Korea. While the Issuer has not developed a formal policy regarding related party transactions, each of its proposed board members have been made aware of their fiduciary duties and the requirements of the *Business Corporations Act* (British Columbia) and Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**") and will conduct all related party transactions in accordance with Canadian corporate and securities law requirements.

**(6) Lending Operations**

Not applicable.

**(7) Bankruptcy or Receivership Proceedings**

Not applicable.

**(8) Material Restructuring Transactions**

Not applicable.

**(9) Social or Environmental Policies**

Not applicable.

### 3.2 Companies with Asset-backed Securities Outstanding

Not applicable.

### 3.3 Mineral Projects

Not applicable.

### 3.4 Issuers with Oil and Gas Operations

Not applicable.

## 4. SELECTED CONSOLIDATED FINANCIAL INFORMATION

### 4.1 Financial Information – Annual Information

***The Issuer***

The following table is a summary of selected financial information of the Issuer for the years ended April 30, 2018, 2017 and 2016:

| | Year ended April 30, 2018 (Audited) | Year ended April 30, 2017 (Audited) | Year ended April 30, 2016 (Audited) |
|---|---|---|---|
| **Revenue** | $Nil | $Nil | $Nil |
| **Net Loss** | $69,955 | $105,762 | $1,646,708 |
| **Basic and diluted loss from continued operations per share** | $0.00 | $0.00 | $0.00 |
| **Total Assets** | $4,357 | $4,010 | $3,149 |
| **Total Liabilities** | $253,151 | $182,849 | $268,101 |

A copy of the Financial Statements previously filed with applicable securities commissions is available on the Issuer's SEDAR profile at www.sedar.com and is attached to Schedule "A" of this Listing Statement.

A copy of the pro forma consolidated statement of financial position of the Issuer as at July 31, 2018 is attached to Schedule "C" of this Listing Statement.

***Graph Blockchain Limited***

The following table is a summary of selected financial information of Graph for the period from incorporation (November 22, 2017) to July 31, 2018:

| | **From Incorporation to July 31, 2018 (audited)** |
|---|---|
| Revenue | C$15,000 |
| Net Loss | C$(3,772,828) |
| Basic and diluted loss per share | C$(0.047) |
| Total Assets | C$3,333,677 |
| Total Liabilities | C$779,445 |

A copy of the Graph financial statements for the period from incorporation (November 22, 2017) to July 31, 2018 is attached to Schedule "B" to this Listing Statement.

## 4.2 Quarterly Information

*The Issuer*

The following information is in respect of the Issuer for the eight (8) quarters preceding the date of this Listing Statement:

| Quarter Ended | Total Revenues | Net Loss | Basic and diluted loss per share |
|---|---|---|---|
| July 31, 2018 | $Nil | $104,673 | $0.00 |
| April 30, 2018 | $Nil | $19,001 | $0.00 |
| January 31, 2018 | $Nil | $15,444 | $0.00 |
| October 31, 2017 | $Nil | $16,288 | $0.00 |
| July 31, 2017 | $Nil | $19,222 | $0.00 |
| April 30, 2017 | $Nil | $30,497 | $0.00 |
| January 31, 2017 | $Nil | $29,845 | $0.00 |
| October 31, 2016 | $Nil | $32,980 | $0.00 |

Copies of the respective unaudited interim financial statements for the periods listed above for the Issuer are available on the Issuer's SEDAR profile at www.sedar.com.

*Graph Blockchain Limited*

Graph has not yet completed a full financial year and therefore has no quarterly financial information to disclose.

### 4.3 Dividends

There are no restrictions in the Issuer's constating documents or elsewhere which could prevent the Issuer from paying dividends. The Issuer does not contemplate paying any dividends in the immediate future, as it anticipates investing all available funds to finance the growth of the Issuer's business. The board of directors will determine if, and when, to declare and pay dividends in the future from funds properly applicable to the payment of dividends based on the Issuer's financial position at the relevant time. All of the Common Shares will be entitled to an equal share in any dividends declared and paid on a per share basis.

### 4.4 Foreign GAAP

Not applicable.

## 5. MANAGEMENT'S DISCUSSION AND ANALYSIS

A copy of the Annual MD&A and Interim MD&A of the Issuer related to its financial statements previously filed with applicable securities commissions are available through the Internet under the Issuer's SEDAR profile at www.sedar.com.

## 6. MARKET FOR SECURITIES

The Common Shares are not currently listed on any stock market in Canada.

## 7. CONSOLIDATED CAPITALIZATION

The following table summarizes the Issuer's consolidated capitalization as at the date of this Listing Statement:

| Designation of Security | Amount Authorized | Outstanding (as of the date hereof) |
|---|---|---|
| Common Shares | Unlimited | 138,284,581 |
| Warrants | Unlimited | 3,354,867 |
| Finder's Warrants | Unlimited | 1,665,818 |

## 8. OPTIONS TO PURCHASE SECURITIES

*Stock Option Plan*

The Board intends to adopt the Stock Option Plan in conjunction with the completion of the Transaction. The Stock Option Plan is being established to provide incentives to directors, officers, employees and consultants of the Issuer (the "**Optionees**"). The purpose of the Stock Option Plan is to advance the interests of the Issuer by encouraging equity participation in the Issuer through the acquisition of Common Shares. The Board is of the view that the Stock Option Plan provides the Issuer with the ability to attract and maintain the services of directors, executives, employees and other service providers. The Stock Option Plan is administered by the Board and options are granted at the discretion of the Board to eligible Optionees.

As of the date of this Listing Statement, there are no options issued and outstanding under the Stock Option Plan. No options will be issued by the Issuer until the Stock Option Plan is approved and ratified by the shareholders of the Issuer at the next annual general meeting of the Issuer.

*Eligible Optionees*

To be eligible to receive a grant of options under the Stock Option Plan, an Optionee must be a director, officer, employee, consultant or an employee of a company providing management or other services to the Issuer at the time the option is granted. Options may be granted only to an individual eligible, or to a non-individual that is wholly-owned by individuals eligible, for an option grant. If the option is granted to a non-individual, the non-individual will not permit any transfer of its securities, nor issue further securities, to any individual or other entity as long as the option remains in effect.

***Restrictions***

The Stock Option Plan is a 10% rolling plan and the total number of Common Shares issuable upon exercise of options under the Stock Option Plan cannot exceed 10% of the Issuer's issued and outstanding Common Shares on the date on which an option is granted, less Common Shares reserved for issuance on exercise of options then outstanding under the Stock Option Plan.

The Stock Option Plan is also subject to the following restrictions:

(a) The Issuer must not grant options to any director, officer, employee, consultant, or consultant company (the "Service Provider") in any 12-month period if that grant would exceed 5% of the outstanding Common Shares of the Issuer being granted to Service Providers, unless the Issuer has obtained approval by a majority of the votes cast by all shareholders of the Issuer at a meeting of shareholders excluding votes attached to Common Shares beneficially owned by Insiders of the Issuer and their Associates ("Disinterested Shareholder Approval").

(b) The aggregate number of options granted to a Service Provider conducting investor relations activities in any 12 month period must not exceed 2% of the outstanding Common Shares calculated at the date of the grant, without prior regulatory approval.

(c) The Issuer must not grant an option to a consultant in any 12 month period that exceeds 2% of the outstanding Common Shares calculated at the date of the grant of the option.

(d) The aggregate number of Common Shares reserved for issuance under options granted to Insiders must not exceed 10% of the outstanding Common Shares (if the Stock Option Plan is amended to reserve for issuance more than 10% of the outstanding Common Shares) unless the Issuer has obtained Disinterested Shareholder Approval to do so.

(e) The number of Common Shares issued to Insiders upon exercise of options in any 12 month period must not exceed 10% of the outstanding Common Shares (if the Stock Option Plan is amended to reserve for issuance more than 10% of the outstanding Common Shares) unless the Issuer has obtained Disinterested Shareholder Approval to do so.

*Material Terms of the Plan*

The following is a summary of the material terms of the Stock Option Plan:

(a) persons who are Service Providers to the Issuer or its affiliates, or who are providing services to the Issuer or its affiliates, are eligible to receive grants of options under the Stock Option Plan;

(b) all options granted under the Stock Option Plan expire on a date not later than 10 years after the issuance of such options. However, should the expiry date for an option fall within a trading Blackout Period (as defined in the Stock Option Plan, generally meaning circumstances where sensitive negotiations or other like information is not yet public), within 10 business days following the expiration of a Blackout Period;

(c) for options granted to Service Providers, the Issuer must ensure that the proposed Optionee is a bona fide Service Provider of the Issuer or its affiliates;

(d) an option granted to any Service Provider will expire within 90 days (or such other time, not to exceed one year, as shall be determined by the Board as at the date of grant or agreed to by the Board and the Optionee at any time prior to expiry of the Option), after the date the Optionee ceases to be employed by or provide services to the Issuer, but only to the extent that such option was vested at the date the Optionee ceased to be so employed by or to provide services to the Issuer;

(e) if an Optionee dies, any vested option held by him or her at the date of death will become exercisable by the Optionee's lawful personal representatives, heirs or executors until the earlier of one year after the date of death of such Optionee and the date of expiration of the term otherwise applicable to such option;

(f) in the case of an Optionee being dismissed from employment or service for cause, such Optionee's options, whether or not vested at the date of dismissal, will immediately terminate without right to exercise same;

(g) the exercise price of each option will be set by the Board on the effective date of the option and will not be less than the greater of the closing market price of underlying securities on: (i) the trading day prior to the date of the grant of the stock options; and (ii) the date of the grant of the stock options;

(h) vesting of options shall be at the discretion of the Board, and will generally be subject to: (i) the Service Provider remaining employed by or continuing to provide services to the Issuer or its affiliates, as well as, at the discretion of the Board, achieving certain milestones which may be defined by the Board from time to time or receiving a satisfactory performance review by the Issuer or its affiliates during the vesting period; or (ii) the Service Provider remaining as a director of the Issuer or its affiliates during the vesting period;

(i) in the event of a take-over bid being made to the shareholders generally, immediately upon receipt of the notice of the take-over bid, the Issuer shall notify each Optionee currently holding any options, of the full particulars of the take-over bid, and all outstanding options may vest, notwithstanding the vesting terms contained in the Stock Option Plan or any vesting requirements subject to regulatory approval; and

(j) the Board reserves the right in its absolute discretion to amend, suspend, terminate or discontinue the Stock Option Plan with respect to all Common Shares reserved under the Stock Option Plan in respect of options which have not yet been granted.

## 9. DESCRIPTION OF THE SECURITIES

### 9.1 Description of the Securities

The Issuer will be authorized to issue an unlimited number of Common Shares.

***Common Shares***

The holders of Common Shares will be entitled to receive notice of and to attend all meetings of the shareholders of the Issuer and to one (1) vote per share at meetings of the shareholders of the Issuer. The holders of Common Shares will also be entitled to receive dividends as and when declared by the Board on the Common Shares. The holders of the Common Shares shall be entitled, in the event of any liquidation, dissolution or winding up, whether voluntary or involuntary, or any other distribution of assets among the Issuer's shareholders for the purpose of winding up its affairs, (collectively, a "**Liquidation Event**") to share ratably in such assets of the Issuer as are available for distribution. All Common Shares outstanding after completion of the Transaction will be fully paid and non-assessable and not subject to any pre-emptive rights, conversion or exchange rights, redemption, retraction or surrender provisions, sinking or purchase fund provisions, provisions permitting or restricting the issuance of additional securities or provisions requiring a shareholder to contribute additional capital.

As of the date hereof, 138,284,581 Common Shares are outstanding and 5,020,685 Common Shares are reserved for issuance pursuant to the Warrants and Finder's Warrants.

### 9.2 Debt Securities

Not applicable.

### 9.3 Other Securities

Not applicable.

### 9.4 Modification of Terms

Not applicable.

### 9.5 Other Attributes

Not applicable.

### 9.6 Prior Sales

The following table summarizes the issuances of securities of the Issuer within 12 months prior to the date of this Listing Statement:

| Date of Issue | Number of Securities | Price per Security | Aggregate Price |
|---|---|---|---|
| November 6, 2018 | 128,333,333 Common Shares(1) | $0.30 | $38,500,000 |
| November 6, 2018 | 3,354,867 Common Shares(2) | $0.30 | $1,006,460 |
| November 6, 2018 | 641,666 Common Shares(3) | $0.30 | $192,499.80 |
| November 2, 2018 | 1,000,000 Common Shares(4) | $0.30 | $300,000 |

**Notes:**

1. Issued pursuant to the Amalgamation Agreement to holders of Graph Shares
2. Issued pursuant to the Amalgamation Agreement to holders of Graph Shares pursuant to the Concurrent Financing
3. Finder's Fee Shares issued pursuant to the Finder's Fee.
4. Issued to settle an aggregate of $300,000 of outstanding debts of RegTech.

### 9.7 Stock Exchange Price

The Common Shares are not listed on any Canadian stock exchange and have not been listed on any Canadian stock exchange in the prior twelve months. The common shares of RegTech were listed on the TSX Venture Exchange but were delisted as of February 17, 2017.

## 10. ESCROWED SECURITIES

In accordance with the CSE Policies and National Policy 46-201 *Escrow for Initial Public Offerings* ("**NP 46-201**") all Common Shares held by a Principal as of the Listing Date are subject to escrow restrictions (the "**Escrowed Securities**").

The CSE Policies require that the Escrow Securities be governed by the form of escrow agreement under NP 46-201. Pursuant to the Escrow Agreement among the Issuer, the Escrow Agent, and the Principals of the Issuer, the Escrow Securities will be released in accordance with the following release schedule under NP 46-201, as on listing, the Issuer anticipates being an "Emerging Issuer" (as defined in NP 46-201):

| | |
|---|---|
| On the Listing Date | 1/10 of the Escrow Securities |
| 6 months after the Listing Date | 1/6 of the remaining Escrow Securities |
| 12 months after the Listing Date | 1/5 of the remaining Escrow Securities |
| 18 months after the Listing Date | 1/4 of the remaining Escrow Securities |
| 24 months after the Listing Date | 1/3 of the remaining Escrow Securities |
| 30 months after the Listing Date | 1/2 of the remaining Escrow Securities |
| 36 months after the Listing Date | The remaining Escrow Securities |

The following sets forth particulars of the Escrow Securities that will be subject to Emerging Issuer escrow under the Escrow Agreement on the Listing Date.

| Name and Municipality of Residence | Number of Common Shares held in Escrow | Percentage of Outstanding Common Shares held in Escrow |
|---|---|---|
| Datametrex AI Limited<br>*Toronto, ON* | 36,329,287 | 26.27% |
| Bitnine Global Inc.<br>*San Francisco, California* | 12,109,763 | 8.76% |
| Peter Kim<br>*Toronto, ON* | 2,421,952 | 1.75% |
| Steve Kang<br>*Markham, ON* | 1,816,464 | 1.31% |

If, within 18 months of the Listing Date, the Issuer meets the "Established Issuer" criteria, as set out in NP 46-201, the Escrow Securities will be eligible for accelerated release according to the criteria for

Established Issuers. In such a scenario that number of Escrow Securities that would have been eligible for release from escrow if the Issuer had been an "Established Issuer" on the Listing Date will be immediately released from escrow. The remaining Escrow Securities would be released in accordance with the time release provisions for Established Issuers, with all Escrow Securities being released 18 months from the Listing Date.

## 11. PRINCIPAL SHAREHOLDERS

As of the date of this Listing Statement, the following shareholders own, beneficially and of record, more than 10% of the issued Common Shares:

| Name | Number of Shares Held | Percentage of class |
|---|---|---|
| Datametrex AI Limited | 36,329,287 Common Shares(1) | 26.27%(2) |

**Note:**

1. These common shares are held both of record and beneficially. As of the date hereof, there is no controlling shareholder of Datametrex, however, Andrew Ryu, Executive Chairman and Chief Executive Officer of Datametrex, has direction and control over approximately 10.2% of the issued and outstanding shares of Datametrex.

## 12. DIRECTORS AND OFFICERS OF THE ISSUER

### 12.1 Directors and Officers of the Issuer

As of the date of this Listing Statement, the Board is composed of three (3) directors, as set out below.

The name, municipality of residence, position or office held with the Issuer and principal occupation of each director and officer of the Issuer, as well as the number of voting securities beneficially owned, directly or indirectly, or over which each exercises control or direction, are as follows:

| Name, place of the residence and position with Issuer | Age | Principal occupation during the last five (5) years | Date of appointment as director or officer | Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed (1) |
|---|---|---|---|---|
| Peter Kim(2)<br>Richmond Hill, Ontario<br><br>Chief Executive Officer and Chairman | 41 | District Vice President, Stone Investment Group, a wealth management advisory services firm. | Closing of the Acquisition | 2,421,952 (1.75%) |
| Steve Kang<br>Markham, Ontario<br><br>Chief Financial Officer and Corporate Secretary | 52 | Vice President, Finance of DataMetrex AI Limited. | Closing of the Acquisition | 1,816,464 (1.31%) |

| Name, place of the residence and position with Issuer | Age | Principal occupation during the last five (5) years | Date of appointment as director or officer | Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed (1) |
|---|---|---|---|---|
| David Posner(2)(3)<br>Toronto, Ontario<br>Director | 43 | Consultant to Quinsam Capital Corp., a merchant bank focused on cannabis-related investments, Chief Executive Officer and President of Nutritional High International Inc., a company that develops, acquires and designs products in the marijuana-infused edible sector. | Closing of the Acquisition | Nil |
| Todd Shapiro(2)(3)<br>Toronto, Ontario<br>Director | 44 | Chief Executive Officer, The Todd Shapiro Show - Media Company/Radio Show/Talent Representation. | Closing of the Acquisition | 166,667 (0.12%) |

**Notes:**

1. The information as to principal occupation, business or employment and shares beneficially owned or controlled is not within the knowledge of management of the Resulting Issuer and has been furnished by the respective individuals.
2. Member of the audit committee.
3. Independent director.

### 12.2 Period of Service of Directors

Each of the directors and officers were appointed upon the closing of the Acquisition. The term of each director expires on the date of the next annual general meeting, unless his or her office is earlier vacated or he or she is removed in accordance with the Issuer's articles and the BCBCA.

Each of these officers and directors serves in the identical capacity with respect to the Issuer's wholly owned subsidiary, Graph.

### 12.3 Directors and Officers Common Share Ownership

The directors and officers of the Issuer as a group, directly or indirectly, will beneficially own or exercise control or direction over 4,405,083 Common Shares, representing 3.19% of the issued and outstanding Common Shares.

### 12.4 Committees

The Issuer's audit committee consists of Peter Kim, David Posner and Todd Shapiro, each of whom is a director and financially literate in accordance with National Instrument 52-110 *Audit Committees* ("**NI**

**52-110**”). David Posner and Todd Shapiro are independent, as defined under NI 52-110, and Peter Kim is not independent as he is an officer of the Issuer.

The Board may from time to time establish additional committees.

### 12.5 Principal Occupation of Directors and Officers

Information on directors and officers’ principal occupation is set out in section 12.1 – *Directors and Executive Officers of the Issuer*.

### 12.6 Corporate Cease Trade Orders or Bankruptcies

No director, officer or promoter of the Issuer or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer, is, or within 10 years before the date of the Listing Statement has been, a director or officer of any other issuer that, while that person was acting in that capacity:

(a) was the subject of a cease trade or similar order, or an order that denied the other Issuer access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days;

(b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;

(c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(d) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

### 12.7 Penalties or Sanctions

No director, officer or promoter of the Issuer, or a shareholder holding a sufficient number of the Issuer’s securities to affect materially the control of the Issuer, has been subject to:

(a) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

### 12.8 Settlement Agreements

Not applicable.

## 12.9 Personal Bankruptcies

No director, officer or promoter of the Issuer or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer , or a personal holding company of any such persons has, within the 10 years before the date of the Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

## 12.10 Conflicts of Interest

The directors of the Issuer are required by law to act honestly and in good faith with a view to the best interests of the Issuer and to disclose any interests which they may have in any project or opportunity of the Issuer. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his or her interest and abstain from voting on such matter.

To the best of the Issuer's knowledge, there are no known existing or potential conflicts of interest among the Issuer, promoters of the Issuer or directors, officers or other members of management of the Issuer except that certain directors and officers may serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Issuer and their duties as a director or officer of such other companies. See "*Risk Factors*".

## 12.11 Management Details

The following sets out details of the directors and management of the Issuer:

**Peter Kim** –*Chief Executive Officer and Chairman*

Peter has over 18 years of experience in financial services and capital markets, having been licensed to offer investment advice both in the US and Canada. During his tenure serving as Head Institutional Trader at multiple Canadian-based Investment banks, had a demonstrated history of improving liquidity for small and mid-cap companies, in conjunction with successfully raising capital through equity, debenture and derivative private placements. He is experienced in working with both private and public companies through all stages of financing, including seed rounds to IPO's, and has developed strong relationships with Institutional Asset Managers, Hedge Fund Managers, as well as Wealth management teams and Investment Advisors at the major Canadian Banks.

Mr. Kim intends to devote 100% of his time to the Issuer. As an employee, Mr. Kim has non-competition, non-solicitation and non-disclosure obligations with respect to the Issuer pursuant to his employment contract.

**Steve Kang –** *Chief Financial Officer and Corporate Secretary*

Steve Kang is a seasoned finance and accounting professional. Steve has acquired a wealth of finance expertise and experience over 25 years from working at Honeywell, LG Electronics, and various accounting firms and public companies in Canada. He served as a VP in Finance at Loyalist Group Limited. Most recently, as CFO and VP finance, he spearheaded Datametrex Ltd's qualifying transaction with Everfront Ventures Corp. (currently Datametrex AI Limited) in June 2017 and Datametrex is now a listed company on the TSXV. He has attained a B.A. in Economics from Korea University and has obtained Certified Management Accountant (USA) and Chartered Professional Accountant, CGA (Ontario) designations.

Mr. Kang intends to devote approximately 50% of his time to the Issuer. As an employee, Mr. Kang has non-competition, non-solicitation and non-disclosure obligations with respect to the Issuer pursuant to his employment contract.

**David Posner** – *Director*

David Posner has been a consultant to Quinsam Capital Corp. since December 27, 2017. Mr. Posner served as Chief Executive Officer and President of Nutritional High International Inc. (formerly, Sonoma Capital Inc.) from July 7, 2014 until July 25, 2016. Mr. Posner served as an Acquisitions Manager of Stonegate Properties Inc., where he managed real estate properties and brokered deals in Canada and Oklahoma. He served as the Managing Director of Sales & Acquisitions for Maria Chiquita Development Company from 2005 to 2012. From 2004 to 2007, he was a partner in a private investment group involved in the acquisition, re-zoning and re-positioning for sale of land holdings in Costa Rica and Panama. He brought “Hempen Gold”, the first hemp-infused beer to Canada. He imported and created marketing and branding initiatives for various other alcoholic products in Canada. He has been the Chairman of Nutritional High International Inc. since July 25, 2016. He has been a Director of Nutritional High International Inc. since July 2014. Mr. Posner is a director of The Lineage Grow Company Ltd., Capricorn Business Acquisitions Inc. and Aura Health Corp. He served as a Director at The Tinley Beverage Company Inc. from October 2, 2015 to February 28, 2017. Mr. Posner holds a Bachelor of Arts degree from York University.

Mr. Posner intends to devote approximately 5% of his time to the Issuer. Mr. Posner has not entered into any non-competition or non-solicitation agreement in connection with serving as a director of the Issuer.

**Todd Shapiro** – *Director*

Todd Shapiro has been a Toronto radio show host and a familiar voice on Canada's airwaves for over 18 years. Todd has also worked with a range of companies as a brand ambassador, including Chrysler/Dodge/Jeep, Pizza Pizza, Sony Pictures, Subway Restaurants, Huggies Pull-Ups, Intact Insurance, Mene Jewelry and E & J Gallo Winery.

Todd Shapiro currently serves as an Honorary Chair for the Road Hockey To Conquer Cancer for the Princess Margaret Cancer Foundation.

Mr. Shapiro intends to devote approximately 5% of his time to the Issuer. Mr. Shapiro has not entered into any non-competition or non-solicitation agreement in connection with serving as a director of the Issuer.

## 13. CAPITALIZATION

### 13.1 Class of Securities

*Issued Capital*

| | Number of Securities (non-diluted) | Number of Securities (fully-diluted) | %of Issued (non-diluted) | % of Issued (fully diluted) |
|---|---|---|---|---|
| Public Float | | | | |
| Total outstanding (A) | 138,284,581 | 143,305,266 | 100% | 100% |

| | Number of Securities (non-diluted) | Number of Securities (fully-diluted) | %of Issued (non-diluted) | % of Issued (fully diluted) |
|---|---|---|---|---|
| Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B) | 70,346,507 | 70,513,174 | 50.87% | 49.20% |
| Total Public Float (A-B) | 67,938,074 | 72,792,092 | 49.13% | 50.80% |
| Freely-Tradeable Float | | | | |
| Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C) | 54,485,799 | 54,652,465 | 39.40% | 38.14% |
| Total Tradeable Float (A-C) | 83,798,782 | 88,652,800 | 60.60% | 61.86% |

***Public Securityholders (Registered)***

| Size of Holding | | Number of holders | | Total number of securities |
|---|---|---|---|---|
| 1 – 99 securities | | 212 | | 7,276 |
| 100 – 499 securities | | 172 | | 27,536 |
| 500 – 999 securities | | 25 | | 15,431 |
| 1,000 – 1,999 securities | | 17 | | 19,632 |
| 2,000 – 2,999 securities | | 11 | | 25,458 |
| 3,000 – 3,999 securities | | 5 | | 16,580 |

| | | | | |
|---|---|---|---|---|
| 4,000 – 4,999 securities | | 6 | | 26,835 |
| 5,000 or more securities | | 188 | | 67,799,321 |
| **TOTAL** | | 636 | | 67,938,069 |

***Public Securityholders (Beneficial)***

| **Size of Holding** | | **Number of holders** | | **Total number of securities** |
|---|---|---|---|---|
| 1 – 99 securities | | 212 | | 7,276 |
| 100 – 499 securities | | 172 | | 27,536 |
| 500 – 999 securities | | 25 | | 15,431 |
| 1,000 – 1,999 securities | | 17 | | 19,632 |
| 2,000 – 2,999 securities | | 11 | | 25,458 |
| 3,000 – 3,999 securities | | 5 | | 16,580 |
| 4,000 – 4,999 securities | | 6 | | 26,835 |
| 5,000 or more securities | | 186 | | 65,156,335 |
| Unable to confirm | | 1,278 | | 2,642,986 |
| **TOTAL** | | 1,912 | | 67,938,069 |

***Non-Public Securityholders (Beneficial)***

| **Size of Holding** | | **Number of holders** | | **Total number of securities** |
|---|---|---|---|---|
| 1 – 99 securities | | | | |
| 100 – 499 securities | | | | |
| 500 – 999 securities | | | | |
| 1,000 – 1,999 securities | | | | |
| 2,000 – 2,999 securities | | | | |
| 3,000 – 3,999 securities | | | | |
| 4,000 – 4,999 securities | | | | |
| 5,000 or more securities | | 19 | | 70,346,506 |
| **TOTAL** | | 19 | | 70,346,506 |

### 13.2 Convertible Securities

The following are details for any securities convertible or exchangeable into Common Shares:

| Description of Security (include conversion/exercise terms, including conversion/exercise price) | | | Number of convertible/exchangeable securities outstanding | Number of listed securities issuable upon conversion/exercise |
|---|---|---|---|---|
| **Exercise Price** | **Expiry Date** | **Type of Security** | | |
| C$0.083 | January 10, 2020 | Finder's Warrant | 1,665,818 | 1,665,818 |
| C$0.40 | May 6, 2020 | Warrant | 3,354,867 | 3,354,867 |

## 14. EXECUTIVE COMPENSATION

Details related to the executive compensation paid by RegTech, prepared in accordance with Form 51-102F6 of National Instrument 51-102 – *Continuous Disclosure Obligations,* can be found on SEDAR (www.sedar.com) in RegTech's management information circular dated August 21, 2018.

The objectives, criteria and analysis of the compensation of the executive officers of the Issuer following the completion of the Acquisition will be determined by the Board and are expected to be substantially similar to how Graph currently compensates its executive officers, with the exception that the Issuer intends stock options to be a much more central element of its executive compensation program.

*Graph Blockchain Limited*

The following table (presented in accordance with Form 51-102F6) sets forth all compensation for services in all capacities for Graph's two most recently completed financial years ended December 31, in respect of:

(a) each individual who acted as CEO or CFO for all or any portion of the most recently completed financial year;

(b) each of the three most highly compensated executive officers of the company, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than C$150,000, as determined in accordance with subsection 1.3(6) of Form 51-102F6, for that financial year; and

(c) any individual who would have satisfied these criteria but for the fact that the individual was neither an executive officer of Graph, nor acting in a similar capacity, at the end of the most recently completed financial year

(collectively, the "**Named Executive Officers**" or "**NEOs**").

The NEOs for the most recently completed financial year were Andrew Ryu, the former Chief Executive Officer of Graph and Steve Kang, the Chief Financial Officer of Graph.

***Compensation Discussion and Analysis***

*Overview, Philosophy and Objectives*

Graph does not have a formal compensation program. The board of directors meets to discuss and determine management compensation, without reference to formal objectives, criteria or analysis. The general objectives of Graph's compensation strategy are to: (a) compensate management in a manner that encourages and rewards a high level of performance and outstanding results with a view to increasing long-term shareholder value; (b) align management's interests with the long-term interests of shareholders; (c) provide a compensation package that is commensurate with other Blockchain technology companies to enable Graph to attract and retain talent; and (d) ensure that the total compensation package is designed in a manner that takes into account the constraints that the Graph is under by virtue of the fact that it is a technology development company without a history of earnings.

*Elements of Compensation Program*

The executive compensation program consists of a combination of base salary and performance bonuses.

Base salary is used to provide the NEOs with a set amount of money during the year with the expectation that each NEO will perform his responsibilities to the best of his ability and in the best interests of Graph.

*Base Salary*

The base salary review of each NEO takes into consideration the current competitive market conditions, experience, performance, and the particular skills of the NEO. Base salary is not evaluated against a formal "peer group". The board of directors relies on the general experience of its members in setting base salary amounts.

*Performance Bonuses*

The bonus for each NEO is determined on a case by case basis. The factors considered in assessing the bonus amounts include, but are not limited to, the position of the NEO and expense control.

*Compensation Risk*

The board of directors has not proceeded to an evaluation of the implications of the risks associated with Graph's compensation policies and practices. Graph has not adopted a policy forbidding directors or officers from purchasing financial instruments that are designed to hedge or offset a decrease in market value of Graph's securities granted as compensation or held, directly or indirectly, by directors or officers. Graph is not, however, aware of any directors or officers having entered into this type of transaction.

*Link to Overall Compensation Objectives*

Each element of the executive compensation program has been designed to meet one or more objectives of the overall program.

The fixed base salary of each NEO combined with the performance bonuses has been designed to provide total compensation which the Board believes is competitive with that paid by other companies of comparable size engaged in similar business in appropriate regions.

**Summary Compensation Table**

The following table sets forth all direct and indirect compensation paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, by Graph to each NEO, in any capacity, including, for greater certainty, all plan and non-plan compensation, direct and indirect pay, remuneration, economic or financial award, reward, benefit, gift or perquisite paid, payable, awarded, granted, given or otherwise provided to the NEO or director for services provided and for services to be provided, directly or indirectly, to Graph, for each of Graph's two most recently completed financial years:

| Name and Principal Position | Year | Salary ($) | Share-based awards(1) ($) | Option-based awards ($) | Non-equity incentive plan compensation ($) | | Pension value ($) | All Other Compensation ($) | Total Compensation ($) |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Annual incentive plans | Long-term incentive plans | | | |
| Andrew Ryu<br>*Chief Executive Officer* | 2017<br>2016 | Nil<br>N/A | 180,000<br>N/A | Nil<br>N/A | Nil<br>N/A | Nil<br>N/A | Nil<br>N/A | Nil<br>N/A | 180,000<br>N/A |
| Steve Kang(2)<br>*Chief Financial Officer* | 2017<br>2016 | Nil<br>N/A | 30,000<br>N/A | Nil<br>N/A | Nil<br>N/A | Ni<br>N/A | Nil<br>N/A | Nil<br>N/A | 30,000<br>N/A |

**Notes:**

(1) In the financial period ended December 31, 2017, the Graph issued 9,000,000 Graph Shares to Andrew Ryu and 1,500,000 Graph Shares to Steve Kang at a price per share of $0.02 for services rendered to Graph. These services were in part rendered prior to the incorporation of Graph and included: (i) the formulation of the business plan of Graph; (ii) the identification and execution of a capital raising strategy; (iii) the fostering of strategic relationships in Silicon Valley and South Korea; and (iv) overall executive leadership and strategy.

(2) Andrew Ryu resigned as Chief Executive Officer prior to the closing of the Acquisition.

Incentive Plan Awards

*Outstanding Share-Based Awards and Option-Based Awards Table*

The following table sets out information concerning all share-based awards and option-based awards outstanding as at the end of the most recently completed financial year to the NEOs:

| Name | Option-based Awards | | | | Share-based Awards | |
|---|---|---|---|---|---|---|
| | **Number of Securities Underlying Unexercised Options (#)** | **Option Exercise Price ($)** | **Option Expiration Date** | **Value of Unexercised in-the-money Options ($)** | **Number of Shares or units of shares that have not vested (#)** | **Market or payout value of share-based awards that have not vested ($)** |
| Andrew Ryu | Nil | Nil | Nil | Nil | Nil | Nil |
| Steve Kang | Nil | Nil | Nil | Nil | Nil | Nil |

*Value Vested or Earned*

The following table sets out the value vested or earned by the NEOs under our equity and non- equity incentive plans during the most recently completed financial year:

| Name | Option-based awards - Value vested during the year ($) | Share-based awards - Value vested during the year ($) |
|---|---|---|
| Andrew Ryu | Nil | 180,000 |
| Steve Kang | Nil | 30,000 |

*Pension Plan Benefits*

Graph does not have a defined benefits pension plan or a defined contribution pension plan and does not at this stage intend to adopt one.

*Termination and Change of Control Benefits*

During the most recently completed financial year, there were no employment contracts, agreements, plans or arrangements for payments to a NEO, at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of Graph or a change in an NEO's responsibilities.

*Director Compensation*

The following table sets forth information with respect to all amounts of compensation provided to the directors of Graph (other than the NEOs) for the most recently completed financial year:

| Director | Year | Fees earned ($) | Share-based Awards ($) | Option-based Awards(1) ($) | Non-equity incentive plan compensation ($) | Pension value ($) | Other Compensation ($) | Total ($) |
|---|---|---|---|---|---|---|---|---|
| Jeff Stevens | 2017 | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Joshua Youngsun Bae | 2017 | Nil | Nil | Nil | Nil | Nil | Nil | Nil |

## 15. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director or executive officer of the Issuer or its subsidiary or person who acted in such capacity during the most recently completed financial year of the Issuer or its subsidiary, or any Associate of any such director, executive officer or person is, or has been, at any time since the beginning of the most recently completed financial year of the Issuer or its subsidiary, indebted to the Issuer or its subsidiary nor is any indebtedness of any such person to another entity the subject or, at any time since the beginning of the most recently completed financial year of the Issuer or its subsidiary, been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Issuer or its subsidiary.

No director or executive officer of the Issuer or its subsidiary or person who acted in such capacity during the most recently completed financial year of the Issuer or its subsidiary, or any Associate of any such director, officer or person is, or has been, at any time since the beginning of the most recently completed financial year of the Issuer or its subsidiary, indebted to the Issuer pursuant to a security purchase program or any other program.

## 16. RISK FACTORS

Prior to making any investment decision regarding the Issuer, investors should carefully consider, among other things, the risk factors set forth below.

While this Listing Statement describes the risks and uncertainties that management of the Issuer believe to be material to the Issuer's business, it is possible that other risks and uncertainties affecting the Issuer's business will arise or become material in the future.

If the Issuer is unable to address these and other potential risks and uncertainties, its business, financial condition or results of operations could be materially and adversely affected. In this event, the value of the Common Shares could decline and an investor could lose all or part of their investment.

The following is a description of the principal risk factors that will affect the Issuer:

***Limited Operating History of Graph***

Graph has a limited operating history. Graph and its business prospects must be viewed against the background of the risks, expenses and problems frequently encountered by companies in the early stages of their development, particularly companies in new and rapidly evolving markets such as the blockchain and business intelligence markets. There is no certainty that the Graph will operate profitably.

***Negative Operating Cash Flow***

Graph has negative cash flow from operating activities. It is anticipated that the Issuer will continue to have negative cash flow in the short term. Continued losses may have the following consequences:

(a) increasing the Issuer's vulnerability to general adverse economic and industry conditions;

(b) limiting the Issuer's ability to obtain additional financing to fund future working capital, capital expenditures, operating costs and other general corporate requirements; and

(c) limiting the Issuer's flexibility in planning for, or reacting to, changes in its business and industry.

***No Profits to Date***

Graph has not made profits since its incorporation and it may not be profitable for the foreseeable future. Its future profitability will, in particular, depend upon its success in developing its database solution and to the extent to which it is able to generate significant revenues. Because of the limited operating history and the uncertainties regarding the development of blockchain technology, management does not believe that the operating results to date should be regarded as indicators for the Issuer's future performance.

***Additional Requirements for Capital***

Substantial additional financing may be required if the Issuer is to successfully develop its Blockchain business. No assurances can be given that the Issuer will be able to raise the additional capital that it may require for its anticipated future development. Any additional equity financing may be dilutive to investors and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Issuer, if at all. If the Issuer is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion.

***Expenses May Not Align With Revenues***

Unexpected events may materially harm the Issuer's ability to align incurred expenses with recognized revenues. The Issuer incurs operating expenses based upon anticipated revenue trends. Since a high percentage of these expenses may be relatively fixed, a delay in recognizing revenues from transactions related to these expenses (such a delay may be due to the factors described elsewhere in this risk factor section or it may be due to other factors) could cause significant variations in operating results from quarter to quarter, and such a delay could materially reduce operating income. If these expenses are not subsequently matched by revenues, the Issuer's business, financial condition, or results of operations could be materially and adversely affected.

***Product and Services Not Completely Developed***

The Issuer's bespoke Blockchain solutions are currently in the quality testing phase and are being tested by the internal research and development team. Substantial corporate resources will be expended on developing the Issuer's Graph Blockchain Solution into a commercialized product. The future success of the Issuer is therefore substantially dependent on a continued research and development effort. In addition to being capital intensive, research and development activities relating to sophisticated technologies, such as those of the Issuer, are inherently uncertain as to future success and the achievement of a desired result. If delays or problems occur during the Issuer's ongoing research and development process, important financial and human resources may need to be diverted toward resolving such delays or problems. Further, there is a material risk that the Issuer's research and development activities may not result in a functional, commercially viable product. Failure to successfully commercialize the Issuer's Graph Blockchain Solution may materially and adversely affect the Issuer's financial condition and results of operations.

***Market Acceptance***

If the Issuer's graph database solution does not gain market acceptance, its operating results may be negatively affected. If the markets for the Issuer's solution fail to develop, develop more slowly than expected or become subject to increased competition, its business may suffer. As a result, the Issuer may be unable to: (i) successfully market its solution; (ii) develop new products or services; or (ii) complete new products and services currently under development. If the Issuer's solution is not accepted by its customers or by other businesses in the marketplace, the Issuer's business, operating results and financial condition will be materially affected.

***Global Financial Developments***

Stress in the global financial system may adversely affect the Issuer's finances and operations in ways that may be hard to predict or to defend against. Financial developments seemingly unrelated to the Issuer or to its industry may adversely affect the Issuer over the course of time. For example, material increases in any applicable interest rate benchmarks may increase the debt payment costs for any credit facilities. Credit contraction in financial markets may hurt its ability to access credit in the event that the Issuer identifies an acquisition opportunity or require significant access to credit for other reasons. A reduction in credit, combined with reduced economic activity, may adversely affect business. Any of these events may have a material adverse effect on the Issuer business, operating results, and financial condition.

***Compliance with Complex Domestic and Foreign Laws***

The Issuer is subject to a variety of laws and regulations in Canada and Korea that involve matters central to its business, including Blockchain, user privacy, data protection, intellectual property, distribution, contracts and other communications, consumer protection, and taxation. Korean laws and regulations may be more restrictive than those in Canada. The Korean laws and regulations, particularly with respect to Blockchain, are constantly evolving and can be subject to significant change. In addition, the application and interpretation of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which the Issuer operates. Existing and proposed laws and regulations can be and may be costly to comply with and can delay or impede the development of new products, result in negative publicity, increase the Issuer's operating costs, require significant management time and attention, and subject the Issuer to claims or other remedies, including fines or demands that the Issuer modify or cease existing business practices.

The Issuer may in the future enter into agreements or conduct activities outside of the Republic of Korea, which expansion may present additional complexities in terms of the Issuer's legal compliance, which could adversely affect the results of operations and/or financial condition of the Issuer.

***Risks of Korean Operations and Foreign Operations Generally***

A significant portion of the Issuer's operations are and for the foreseeable future are anticipated to be conducted in the Republic of Korea.

As such, Issuer's operations may be adversely affected by changes in Korean government policies and legislation, particularly with respect to Blockchain, or social instability and other factors which are not within the control of Issuer, including, but not limited to, recessions, expropriation, nationalization and limitation or restriction on repatriation of earnings, longer receivables collection periods and greater difficulty in collecting accounts receivable, changes in consumer tastes and trends, renegotiation or nullification of existing contracts or licenses, regulatory requirements or the personnel administering them, currency fluctuations and devaluations, exchange controls, economic sanctions and royalty and tax increases, risk of terrorist activities, revolution, border disputes, especially with North Korea, implementation of tariffs and other trade barriers and protectionist practices, taxation policies, including royalty and tax increases and retroactive tax claims, volatility of financial markets and fluctuations in exchange rates, difficulties in the protection of intellectual property (which is discussed in further detail below under "*Protection of Intellectual Property Rights*"), labour disputes and other risks arising out of Korean governmental sovereignty over the areas in which Issuer's operations are conducted. Issuer's operations may also be adversely affected by social, political and economic instability and by laws and policies affecting foreign trade, taxation and investment. If Issuer's operations are disrupted and/or the economic integrity of its contracts is threatened for unexpected reasons, its business may be harmed.

In the event of a dispute arising in connection with the Issuer's operations in Korea, the Issuer may be subject to the exclusive jurisdiction of Korean courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions. The Issuer may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, the Issuer's activities in Korea could be substantially affected by factors beyond the Issuer's control, any of which could have a material adverse effect on the Issuer.

Management of the Issuer is unable to predict the effect of additional corporate and regulatory formalities which may be adopted in the future including whether any such laws or regulations would materially increase the Issuer's cost of doing business or affect its operations in Korea.

The Issuer may in the future enter into agreements and conduct activities outside of the Republic of Korea, which expansion may present challenges and risks that the Issuer has not faced in the past, any of which could adversely affect the results of operations and/or financial condition of the Issuer.

***Regulatory Risks***

Changes in or more aggressive enforcement of laws and regulations, including with respect to Blockchain, could adversely impact the Issuer's business. Failure or delays in obtaining necessary approvals could have a materially adverse effect on the Issuer's financial condition and results of operations. Furthermore, changes in government, regulations and policies and practices could have an adverse impact on the Issuer's future cash flows, earnings, results of operations and financial condition. Regulatory agencies could shut down or restrict the use of platforms using blockchain based technologies. This could lead to a loss of any investment made in the Issuer and may trigger regulatory action by the Ontario Securities Commission or other securities regulators.

***Internal Controls***

The Issuer's management is based out of Toronto, Canada, the location of the Issuer's head office. Given that a majority of the activities of the Issuer take place in its South Korea branch office, including sales, research, and development activities, the ability of the Issuer's executive management to oversee operations may be negatively impacted. While management periodically reviews and analyzes the operations of the South Korea branch and has regular consultations with the management of this branch, an operational or financial deficiency that is not prevented or detected in a timely manner due to the nature of the Issuer’s operations may materially and adversely affect the Issuer and results of operations. The Issuer is currently working to enhance the Issuer’s internal controls structure as it relates to its operations in Korea.

***Dependence on Internet Infrastructure; Risk of System Failures, Security Risks and Rapid Technological Change***

The success as a developer of blockchain-based platforms will depend by and large upon the continued development of a stable public infrastructure, with the necessary speed, data capacity and security, and the timely development of complementary products such as high-speed modems for providing reliable internet access and services. It cannot be assured that the infrastructure that supports blockchain-based technologies will continue to be able to support the demands placed upon it by this continued growth or that the performance or reliability of the technology will not be adversely affected by this continued growth. It is further not assured that the infrastructure or complementary products or services necessary to make blockchain-based technologies viable will be developed in a timely manner, or that such development will not result in the requirement of incurring substantial costs in order to adapt the Issuer's services to changing technologies.

***Disruption of its Information Technology Systems***

The Issuer relies on information technology in virtually all aspects of its business. A significant disruption or failure of its information technology systems could result in service interruptions, security violations, regulatory compliance failures, and inability to protect information and assets against intruders, and other operational difficulties. Attacks perpetrated against its information systems could result in loss of assets and critical information and exposes it to remediation costs and reputational damage. A significant disruption or cyber intrusion could lead to misappropriation of assets or data corruption and could adversely affect its results of operations, financial condition and liquidity. Additionally, if the Issuer is unable to acquire or implement new technology, it may suffer a competitive disadvantage, which could also have an adverse effect on its results of operations, financial condition and liquidity. Cyber-attacks could further adversely affect the Issuer’s ability to operate information technology and business systems, or compromise confidential customer and employee information.

***Risk of Theft and Hacking***

Hackers or other groups or organizations may attempt to interfere with the graph solution or the availability of it in any number of ways, including without limitation denial of service attacks, Sybil attacks, spoofing, smurfing, malware attacks, or consensus-based attacks.

***Errors in Issuer’s Products***

The Issuer’s products are highly technical and complex. The Issuer’s products may now or in the future contain undetected errors, bugs, or vulnerabilities. Some errors in the Issuer’s products may only be discovered after they have been released. Any errors, bugs, or vulnerabilities discovered in the Issuer’s products after release could result in damage to the Issuer’s reputation, loss of users, loss of revenue, or liability for damages, any of which could adversely affect the Issuer’s business and financial results.

***Protection of Intellectual Property Rights***

The Issuer’s strategy to protect any intellectual property rights it may have in the Graph Database Solution is to rely on a combination of intellectual property protections, including patent applications, in the United States and Korea, and license, employment and confidentiality agreements and software security measures to further protect its technology and brand.

The Republic of Korea, where most of the Issuer's product development has taken place and will take place in the future, has been a World Trade Organization (WTO) member since 1995. WTO member nations must include certain intellectual property protection standards in their national laws, including with respect to patent, copyright and trademarks. The Republic of Korea is also a signatory to a number of international intellectual property agreements. Management believes the standard of intellectual property protection in such jurisdiction to be of a reasonably high standard.

Nevertheless, the steps the Issuer has taken to protect any rights may not be adequate to avoid the misappropriation of its technology or independent development by others of technologies that may be considered a competitor, particularly if the Issuer's patent applications in the United States and Korea are not approved. The Issuer's intellectual property rights may expire or be challenged, invalidated or infringed upon by third parties. Any misappropriation of the Issuer's technology or development of competitive technologies could harm its business and could subject it to substantial costs in protecting and enforcing any intellectual property rights, and/or temporarily or permanently disrupt its sales and marketing of the affected products or services.

***Violation of Third Party Intellectual Property Rights***

The only significant intellectual property rights of the Issuer are certain intellectual property rights the Issuer may obtain in the Graph Blockchain solution and in other future products and solutions it develops. Although the Issuer is not aware of violating commercial and other proprietary rights of third parties, there can be no assurance that its products do not violate proprietary rights of third parties or that third parties will not assert or claim that such violation has occurred. Although no legal disputes in this respect or perceptible detrimental effects on the Issuer business have arisen to date, any such claims and disputes arising may result in liability for substantial damages which in turn could harm the Issuer's business, results of operations and financial condition.

***Use of Open Source Software***

The Issuer's Blockchain solution makes use of and incorporates open source software components. These components are developed by third parties over whom the Issuer has no control. There are no assurances that those components do not infringe upon the intellectual property rights of others. The Issuer could be exposed to infringement claims and liability in connection with the use of those open source software components, and the Issuer may be forced to replace those components with internally developed software or software obtained from another supplier, which may increase its expenses. The developers of open source software are usually under no obligation to maintain or update that software, and the Issuer may be forced to maintain or update such software itself or replace such software with internally developed software or software obtained from another supplier, which may increase its expenses. Making such replacements could also delay enhancements to its products.

Certain open source software licenses provide that the licensed software may be freely used, modified and distributed to others provided that any modifications made to such software, including the source code to such modifications, are also made available under the same terms and conditions. As a result, any modifications the Issuer makes to such software may be made available to all downstream users of the software, including its competitors. In addition, certain open source licenses provide that if the Issuer wishes to combine the licensed software, in whole or in part, with its proprietary software, and distribute copies of the resulting combined work, the Issuer may only do so if such copies are distributed under the same terms and conditions as the open source software component of the work was licensed to the Issuer, including the requirement to make the source code to the entire work available to recipients of such copies. The types of combinations of open source software and proprietary code that are covered by the requirement to release the source code to the entire combined work are uncertain and much debated by users of open source software. An incorrect determination as to whether a combination is governed by such provisions will result in non-compliance with the terms of the open source license. Such non-compliance could result in the termination of the Issuer’s license to use, modify and distribute copies of the affected open source software and the Issuer may be forced to replace such open source software with internally developed software or software obtained from another supplier, which may increase its expenses. In addition to terminating the affected open source license, the licensor of such open source software may seek to have a court order that the proprietary software that was combined with the open source software be made available to others, including its competitors, under the terms and conditions of the applicable open source license.

***Competition***

The markets for blockchain-based technology and database management systems generally are highly competitive on both a local and a national level.

There are no assurances that established companies in the blockchain and database management industries, which may have greater financial, technical, and marketing resources than the Issuer does, will not choose to directly enter into the Issuer’s niche market and complete with the Issuer’s products and services. The Issuer’s competitors may also have a larger installed base of users, longer operating histories or greater name recognition than the Issuer will.

***Dependence on Third Party Relationships***

The Issuer is highly dependent on a number of third party relationships to conduct its business and implement expansion plans, including its relationships with IBM, Rainbow and the Issuer’s development consultant, Bitnine. As of the date hereof, Rainbow is the Issuer’s sole distributor and IBM accounts for materially all revenue contracts obtained to date. Furthermore, Bitnine is the Issuer’s sole external development consultant, and historically the Issuer placed a material reliance on it to fulfill revenue contracts to date and to perform certain research and development activities. It cannot be assured that these relationships will turn out to be as advantageous as currently anticipated or that other relationships would not have proven to be more advantageous.  More specifically, some of the risks include: assurance that such entity will perform their obligations as agreed, each company’s ability to continue as an ongoing concern, and a termination of the relationship with the Issuer.

***Key Personnel***

The future success of the Issuer will depend, in large part, upon its ability to retain its key management personnel and to attract and retain additional qualified marketing, sales and operational personnel to form part of its technical and customer services support staff. The Issuer may not be able to enlist, train, retain, motivate and manage the required personnel. Competition for these types of personnel is intense. Failure to attract and retain personnel, particularly marketing, sales and operational personnel, could make it difficult for the Issuer to manage its business and meet its objectives.

Failure to manage growth successfully may adversely impact the Issuer's operating results. The growth of the Issuer's operations places a strain on managerial, financial and human resources. The Issuer's ability to manage future growth will depend in large part upon a number of factors, including the ability to rapidly:

(a) build and train development, sales and marketing staff to create an expanding presence in the evolving marketplace for the Issuer's products;

(b) attract and retain qualified technical personnel in order to administer technical support required for customers located in Canada, the United States and other countries around the world;

(c) develop customer support capacity as sales increase, so that customer support can be provided without diverting resources from product sales efforts; and

(d) expand internal management and financial controls significantly, so that control can be maintained over operations as the number of personnel and size of the Issuer increases.

Inability to achieve any of these objectives could harm the business and operating results of the Issuer.

***Failure to Grow at the Rate Anticipated***

Graph is a start-up company with a limited history of sales and no record of profitability. If the Issuer is unable to achieve adequate revenue growth, its ability to become profitable may be adversely affected and the Issuer may not have adequate resources to execute its business strategy.

***Management of Growth***

The Issuer may be subject to growth-related risks including pressure on its internal systems and controls. The Issuer's ability to manage its growth effectively will require it to continue to implement and improve its operational and financial systems. The inability of the Issuer to deal with this growth could have a material adverse impact on its business, operations and prospects. While management believes that it will have made the necessary investments in infrastructure to process anticipated volume increases in the short term, the Issuer may experience growth in the number of its employees and the scope of its operating and financial systems, resulting in increased responsibilities for the Issuer's personnel, the hiring of additional personnel and, in general, higher levels of operating expenses. In order to manage its current operations and any future growth effectively, the Issuer will also need to continue to implement and improve its operational, financial and management information systems and to hire, train, motivate and manage its employees. There can be no assurance that the Issuer will be able to manage such growth effectively, that its management, personnel or systems will be adequate to support the Issuer's operations or that the Issuer will be able to achieve the increased levels of revenue commensurate with the increased levels of operating expenses associated with this growth.

***Litigation***

The Issuer may become involved in litigation that may materially adversely affect it. From time to time in the ordinary course of the Issuer’s business, it may become involved in various legal proceedings. Such matters can be time-consuming, divert management's attention and resources and cause the Issuer to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on the Issuer's business, operating results or financial condition.

More specifically, the Issuer may face claims relating to information that is retrieved from or transmitted over the Internet or through the solution and claims related to the Issuer’s products. In particular, the nature of the Issuer’s business exposes it to claims related to intellectual property rights, rights of privacy, and personal injury torts.

***Conflicts of interest***

The directors of the Issuer are required by law to act honestly and in good faith with a view to the best interests of the Issuer and to disclose any interests, which they may have in any project or opportunity of the Issuer. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. Conflicts, if any, will be subject to the procedures and remedies as provided under the BCBCA. To the best of the Issuer's knowledge, and other than disclosed herein, there are no known existing or potential conflicts of interest between the Issuer and its directors and officers except that certain of the directors and officers may serve as directors and/or officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Issuer and their duties as a director or officer of such other companies.

***Currency Risk***

While the Issuer is headquartered in Canada, has applied to list its Common Shares on a Canadian stock exchange and typically raises funds in Canadian dollars, certain of its operations may be conducted in Asia, the United States and Europe. As such, the Issuer's results of operations are subject to foreign currency fluctuation risks and such fluctuations may adversely affect the financial position and operating results of the Issuer.

***No dividend history***

No dividends have been paid by the Issuer to date. The Issuer anticipates that for the foreseeable future it will retain future earnings and other cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of the Board after taking into account many factors, including the Issuer's financial condition and current and anticipated cash needs.

***Market for Securities and Volatility of Share Price***

There can be no assurance that an active trading market in the Issuer's securities will be established or sustained. The market price for the Issuer's securities could be subject to wide fluctuations. Factors such as announcements of quarterly variations in operating results and acquisition or disposition of properties, as well as market conditions in the industry, may have a significant adverse impact on the market price of the securities of the Issuer. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

***Shareholders' Interest may be Diluted in the Future***

The Issuer will require additional funds for its planned activities. If the Issuer raises additional funding by issuing equity securities, which is highly likely, such financing could substantially dilute the interests of the Issuer's shareholders. Sales of substantial amounts of shares, or the availability of securities for sale, could adversely affect the prevailing market prices for the Issuer's shares. A decline in the market prices of the Issuer's shares could impair the ability of the Issuer to raise additional capital through the sale of new common shares should the Issuer desire to do so.

## 17. PROMOTERS

Other than as set out below, there are no promoters of the Issuer or any subsidiary of the Issuer within the last two years immediately preceding the date hereof.

The following persons are promoter of the Issuer's wholly-owned subsidiary, Graph:

| **Name** | **Number and percentage of securities of the Issuer** | **Nature and amount of services received by Graph** |
|---|---|---|
| Datametrex AI Limited | 36,329,287 Common Shares (26.27%) | Founding and initial organization of Graph |
| Bitnine Global Inc. | 12,109,763 Common Shares (8.76%) | Founding and initial organization of Graph |

## 18. LEGAL PROCEEDINGS

There are no legal proceedings to which the Issuer or its subsidiary is, or has been, a party or of which any of their property is, or has been, the subject matter. Additionally, to the reasonable knowledge of the management of the Issuer and its subsidiary, there are no such proceedings contemplated.

Except as disclosed herein, there have not been any penalties or sanctions imposed against the Issuer by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within the three years prior to the date of this Listing Statement, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Issuer, and the Issuer not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years prior to the date of this Listing Statement

On September 1, 2017, the British Columbia Securities Commission issued a cease trade order against RegTech for failure to file its audited annual financial statements and related MD&A for the year ended April 30, 2017. The required documents and the documents for the subsequent quarters were filed on SEDAR in August 2018 to rectify the continuous disclosure deficiencies. The cease trade order was revoked on September 28, 2018.

## 19. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the Issuer's management, no director or executive officer, insider, nor any of their respective associates, affiliates or member of their group had any interest in any transaction of the Issuer in the three years prior to the date of this Listing Statements that materially affected the Issuer and there are no proposed transactions in which such persons have a material interest.

## 20. AUDITORS, TRANSFER AGENTS AND REGISTRARS

### 20.1 Auditors

The auditors of the Issuer are MNP LLP (the "**Auditors**"), located at 111 Richmond Street West, Suite 300, Toronto, ON M5H 2G4.

### 20.2 Registrar and Transfer Agent

The registrar and transfer agent of the Issuer is Computershare Investor Services Inc., located at Suite 300, 200 University Ave, Toronto, Ontario, Canada M5H 4H1.

## 21. MATERIAL CONTRACTS

Except for contracts entered into by the Issuer in the ordinary course of business, the only material contracts entered into by the Issuer in the previous two (2) years are the following:

(a) the Sale Agreement; and

(b) the Amalgamation Agreement.

***Graph Blockchain Limited***

Except for contracts entered into by Graph in the ordinary course of business, the only material contracts entered into by Graph in the previous two (2) years are the following:

(a) the Amalgamation Agreement.

## 22. INTEREST OF EXPERTS

Malone Bailey LLP, located at 9801 Westheimer Road, Suite 1100, Houston, Texas 77042, audited the Financial Statements and is independent within the meaning of the applicable rules of the American Institute of Certified Public Accountants. Based on information provided by Malone Bailey LLP, Malone Bailey LLP has not received nor will receive the direct or indirect interests in the property of the Issuer. Malone Bailey LLP nor any of the directors, officers, employees and partners thereof, beneficially own, directly or indirectly, any securities of the Issuer or its associates and affiliates.

MNP LLP, located at 111 Richmond Street West, Suite 300, Toronto, ON M5H 2G4 audited the Graph Financial Statements and is independent within the meaning of CPA Code of Professional Conduct of Ontario. Based on information provided by MNP LLP, MNP LLP has not received nor will receive the direct or indirect interests in the property of the Issuer. MNP LLP nor any of the directors, officers, employees and partners thereof, beneficially own, directly or indirectly, any securities of the Issuer or its associates and affiliates.

## 23. OTHER MATERIAL FACTS

The Issuer is not aware of any other material facts relating to Graph or the Issuer or either of their securities or to the Transaction that are not disclosed under the preceding items and are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to Graph and the Issuer or either of their securities, assuming completion of the Transaction, other than those set forth herein.

## 24. FINANCIAL STATEMENTS

### 24.1 Financial Statements

A copy of the Financial Statements and Interim Financial Statements are attached to Schedule "A" to this Listing Statement.

A copy of the Graph Financial Statements are attached to Schedule "B" to this Listing Statement.

A copy of the Pro Forma Financial Statements are attached to Schedule "C" to this Listing Statement.

**CERTIFICATE OF GRAPH BLOCKCHAIN INC.**

Pursuant to a resolution duly passed by the board of directors of Graph Blockchain Inc. (the "**Issuer**"), the Issuer hereby applies for the listing of the above mentioned securities on the Canadian Securities Exchange. The foregoing contains full, true and plain disclosure of all material information relating to the Issuer. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Toronto, Ontario this 7th day of November, 2018.

*"Peter Kim"*

Peter Kim
Chief Executive Officer and Director

*"Steve Kang"*

Steve Kang
Chief Financial Officer

*"David Posner"*

David Posner
Director

*"Todd Shapiro"*

Todd Shapiro
Director

## CERTIFICATE OF GRAPH BLOCKCHAIN LIMITED

The foregoing contains full, true and plain disclosure of all material information relating to Graph Blockchain Limited. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Toronto, Ontario this 7th day of November, 2018.

*"Peter Kim"*

Peter Kim
Chief Executive Officer and Director

*"Steve Kang"*

Steve Kang
Chief Financial Officer

*"David Posner"*

David Posner
Director

*"Todd Shapiro"*

Todd Shapiro
Director

*"Andrew Ryu"*

Datametrex AI Limited
Promoter

*"CheolSun Kang"*

Bitnine Global Inc.
Promoter

## SCHEDULE "A" – ISSUER FINANCIAL STATEMENTS

Please see attached.

# Reg Technologies Inc.

Financial Statements
(Expressed in Canadian Dollars)
**April 30, 2018**

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Sole Director of
Reg Technologies, Inc.

***Opinion on the Financial Statements***

We have audited the accompanying statements of financial position of Reg Technologies, Inc. (the "Company") as of April 30, 2018 and 2017, and the related statements of operations, changes in equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of April 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

***Going Concern Matter***

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

***Basis for Opinion***

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

*/s/ MaloneBailey, LLP*
www.malonebailey.com
We have served as the Company's auditor since 2018.
Houston, Texas
July 27, 2018

**Reg Technologies Inc.**
Statements of Financial Position
(Expressed in Canadian Dollars)

| | As at April 30, 2018 $ | As at April 30, 2017 $ |
|---|---|---|
| **Assets** | | |
| **Current** | | |
| HST/GST receivable | 4,357 | 4,010 |
| | 4,357 | 4,010 |
| **Liabilities** | | |
| **Current** | | |
| Accounts payable | 87,599 | 84,014 |
| Accrued liabilities | 75,000 | 45,000 |
| Due to related parties (Note 7) | 90,552 | 53,835 |
| | 253,151 | 182,849 |
| **Shareholders' Deficit** | | |
| Share Capital (Note 6) | 13,636,565 | 13,636,565 |
| Warrants (Note 6) | 1,141,249 | 1,141,249 |
| Contributed Surplus | 10,864,172 | 10,864,172 |
| Deficit | (25,890,780) | (25,820,825) |
| | (248,794) | (178,839) |
| | 4,357 | 4,010 |

**Nature and Continuance of Operations** (Note 1)
**Subsequent event** (Note 10)

**On behalf of the Board:**

*"Paul Chute"* Director
Paul Chute

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

**Reg Technologies Inc.**
Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

| | For the year ended April 30, 2018 $ | For the year ended April 30, 2017 $ |
|---|---|---|
| **Expenses** | | |
| Foreign exchange (gain) loss | 2,525 | (1,125) |
| Management and directors' fees (Note 7) | 30,000 | 50,000 |
| Office expenses | - | 3,155 |
| Professional fees | 30,000 | 41,812 |
| Transfer agent and filing fees | 7,430 | 8,823 |
| Travel and promotion | - | 3,097 |
| **Loss before other income (expense)** | (69,955) | (105,762) |
| **Net and comprehensive loss** | (69,955) | (105,762) |
| **Loss per share – basic and diluted** | (0.00) | (0.00) |
| **Weighted average number of common shares outstanding – basic and diluted** | 49,547,092 | 49,372,559 |

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

**Reg Technologies Inc.**
Statements of Cash Flows
(Expressed in Canadian Dollars)

| | For the year ended April 30, 2018 $ | For the year ended April 30, 2017 $ |
|---|---|---|
| **Cash flows used in operating activities** | | |
| Net loss | (69,955) | (105,762) |
| Adjustments to reconcile loss to net cash used by operating activities: | | |
| Changes in non-cash working capital items: | | |
| GST Receivable | (347) | (915) |
| Accounts payable and accrued liabilities | 33,585 | 51,424 |
| Due to related parties | 36,717 | 55,199 |
| Net cash used in operating activities | - | (54) |
| **Decrease in cash** | - | (54) |
| **Cash and cash equivalent, beginning** | - | 54 |
| **Cash and cash equivalent, ending** | - | - |
| **Non-cash items** | | |
| Non-controlling interest reclassified to contributed surplus | - | 84,547 |
| Accounts payable settled by REGI U.S., Inc. | - | 67,800 |
| Related party balances settled by REGI U.S., Inc. | - | 124,075 |
| **Supplemental Disclosures** | | |
| Interest paid | - | - |
| Income taxes paid | - | - |

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

# Reg Technologies Inc.

Statements of Changes in Equity
(Expressed in Canadian Dollars)

| | Common Shares # | Common Shares $ | Contributed Surplus $ | Warrants $ | Deficit $ | Total Shareholders' Equity $ | Non-Controlling interest $ |
|---|---|---|---|---|---|---|---|
| **Balance – April 30, 2016** | **49,329,670** | **13,636,565** | **10,587,750** | **1,141,249** | **(25,715,063)** | **(349,499)** | **84,547** |
| Disposition of assets | 217,422 | - | 84,547 | - | | 84,547 | (84,547) |
| Liabilities settled by REGI U.S., Inc. | - | - | 191,875 | - | - | 191,875 | - |
| Net loss | - | - | - | - | (105,762) | (105,762) | - |
| **Balance – April 30, 2017** | **49,547,092** | **13,636,565** | **10,864,172** | **1,141,249** | **(25,820,825)** | **(178,839)** | - |
| Net loss | - | - | - | - | (69,955) | (69,955) | - |
| **Balance – April 30, 2018** | **49,547,092** | **13,636,565** | **10,864,172** | **1,141,249** | **(25,890,780)** | **(248,794)** | **-** |

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

## 1. Nature and Continuance of Operations

Reg Technologies Inc. ("Reg Tech" or the "Company") was a development stage company in the business of developing and commercially exploiting an improved axial vane type rotary engine known as the Rand Cam™/Direct Charge Engine and other RandCam™ / RadMax® applications (the "Technology"). The worldwide marketing and intellectual rights, other than in the U.S., were held by the Company. REGI U.S., Inc. ("REGI") (a U.S. public company) owned the U.S. marketing and intellectual rights. The Company and REGI had a project cost sharing agreement whereby these two companies each funded 50% of the development of the Technology.

Effective February 17, 2017 REGI purchased all of Reg Tech's assets including all rights to the Technology with the issuance of 51,757,119 shares of REGI's common stock, which were distributed to the shareholders of the Company as dividend in kind. The Company is currently actively searching for a business.

### Asset Sales Agreement

On September 16, 2016, the Company entered into an asset sales/purchase agreement (the "ASA") with REGI, a public company with a common director and officer and whose common stock is listed on OTC.QB to sell all of the Company's assets to REGI, with the issuance of 46,173,916 unregistered common shares of REGI. The ASA was amended on February 14, 2017 to increase the consideration shares to an aggregate of 51,757,119 unregistered common shares of REGI and to amend the list of the assets purchased. The shares issued to the Company were distributed to the Company's shareholders as dividend in kind. The transaction was closed on February 17, 2017 upon TSX Venture Exchange approval.

Upon closing of the ASA, all assets of the Company except GST receivable were transferred from Reg Tech to REGI. In addition, upon closing of the ASA, REGI settled on behalf of Reg Tech the Company's accounts payable of $67,800 and balances owed to other related parties of $124,075, the total settlement of $191,875 was recorded as addition to contributed surplus during the year ended April 30, 2017.

### Going Concern

In a development stage company, management devotes most of its activities to establishing a new business. Planned principal activities have not yet produced any revenues and the Company has incurred recurring operating losses as is normal in development stage companies. The Company has net capital deficiency and has accumulated losses of $25,890,780 since inception. These factors raise substantial doubt about the Company's ability to continue as a going-concern. The ability of the Company to emerge from the development stage with respect to its planned principal business activity is dependent upon its successful efforts to raise additional equity financing, receive funding from affiliates and controlling shareholders, and develop a market for its products.

Management is aware that material uncertainties exist, related to current economic conditions, which could adversely affect the Company's ability to continue to finance its activities. The Company receives interim support from affiliated companies and plans to raise additional capital through debt and/or equity financings. The Company may also raise additional funds through the exercise of warrants and stock options.

There is no certainty that the Company's efforts to raise additional capital will be successful. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in normal operations.

## 2. Statement of compliance

These financial statements of the Company, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on July 27, 2018.

## 3. Significant Accounting Policies

Basis of preparation

These financial statements were prepared on a going concern basis, under the historical cost convention, except for the revaluation of certain financial instruments.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Basis of consolidation and presentation

These financial statements include the accounts of the Company, and its 51% owned subsidiary, Rand Energy Group Inc. ("Rand") until February 17, 2017 when it was sold to REGI and the related non-controlling interest of $84,547 was reclassified to contributed surplus.

All significant inter-company balances and transactions were eliminated upon consolidation.

Investment in associates

Investments in which the Company had the ability to exert significant influence but did not have control were accounted for using the equity method whereby the original cost of the investment was adjusted annually for the Company's share of earnings, losses and dividends during the current year.

Cash equivalents

Cash equivalents consist of highly liquid investments that are readily convertible to cash with original maturities of three months or less when purchased.

**3. Significant Accounting Policies (Cont'd)**

Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and each of its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates.*

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the year-end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in comprehensive loss.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor tax loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future income tax asset will be recovered, it does not recognize the asset.

**3. Significant Accounting Policies (Cont'd)**

Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted loss per share. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. However, diluted loss per share is not presented where the effects of various conversions and exercise of options and warrants would be anti-dilutive. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

Financial instruments

*Initial recognition and measurement*

Financial assets and liabilities are initially recognized at fair value. Financial assets are classified at initial recognition as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The Company does not use any hedging instruments. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 - inputs that are not based on observable market data.

At April 30, 2018 and 2017, all of the financial instruments measured at fair value are included in Level 1.

The Company's financial instruments consist of cash, amounts due to related parties, and accounts payable; the fair values of which are considered to approximate their carrying value due to their short-term maturities or ability of prompt liquidation.

Impairment of assets

The carrying amount of the Company's assets (which includes the exploration and evaluation asset) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

**3. Significant Accounting Policies (Cont'd)**

Financial instruments (Cont'd)

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification. Financial assets at fair value through profit or loss includes financial assets held-for-trading which represent assets that are acquired for the purpose of selling or repurchasing in the near term. These financial assets are initially recorded in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement at fair value, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Any amortization of the effective interest rate method and any impairment is recognized in the statement of comprehensive loss.

Held-to-maturity investments represent assets to be held until a specific time period and are initially measured at fair value, including transaction costs. After initial measurement at fair value, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Any amortization of the effective interest rate method and any impairment is recognized in the statement of comprehensive loss.

Available-for-sale financial assets are investments in equity instruments that are measured at fair value with gains and losses, net of applicable taxes, included in other comprehensive income until the asset is removed from the statement of financial position. Once this occurs, the resultant gains or losses are recognized in comprehensive loss. Any permanent impairment of available-for-sale financial assets is also included in the statement of comprehensive loss.

Financial liabilities are initially recorded at fair value and are designated as fair value through profit or loss or other financial liabilities. Derivative financial liabilities are classified as fair value through profit or loss and are initially recorded in the statement of financial position at fair value with changes in fair value recognized in finance income or finance cost in the statement of comprehensive loss. Non-derivative financial liabilities are recorded at amortized cost using the effective interest rate method. Any amortization of the effective interest rate method is recognized in the statement of comprehensive loss.

Financial assets, others than those at fair value through profit and loss are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. The amount of impairment loss is recognized in the statement of comprehensive loss. Any subsequent reversals of impairment are also recognized in the statement of comprehensive income (loss), except for those related to available-for-sale financial assets.

New standards and interpretations

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in July 2014 and will replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is adopted May 1, 2018.

Other new accounting standards and interpretations are either not applicable or not expected to have a significant impact on the Company's financial statements.

## 4. Critical Accounting Estimates and Judgments

Use of Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions about the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the results of operations. Significant areas requiring the use of management estimates include determination of accrued liabilities, deferred tax assets and stock-based compensation. Actual results could differ from the estimates made.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Use of judgements

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgements or assessments with a significant risk of material adjustment in the next year.

(i) Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

(ii) Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

(iii) Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

(iv) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. The directors monitor future cash requirements to assess the Company's ability to meet these future funding requirements.

## 5. Financial Instruments and Risk Management

*Foreign exchange risk*

The Company is primarily exposed to currency fluctuations relative to the Canadian dollar through expenditures that are denominated in US dollars. Also, the Company is exposed to the impact of currency fluctuations on its monetary assets and liabilities.

The operating results and the financial position of the Company are reported in Canadian dollars. Fluctuations in exchange rates will, consequently, have an impact upon the reported operations of the Company and may affect the value of the Company's assets and liabilities.

The Company currently does not enter into financial instruments to manage foreign exchange risk.

The Company is exposed to foreign currency risk through the following financial assets and liabilities that are denominated in United States dollars:

| April 30, 2018 | Accounts Payable |
|---|---|
| | $ 28,049 |

At April 30, 2018 with other variables unchanged, a +/-10% change in exchange rates would increase/decrease pre-tax loss by approximately +/- $2,805.

*Interest rate and credit risk*

As at April 30, 2018 and 2017, the Company has minimal cash balances and no interest-bearing debt. The Company has no significant concentrations of credit risk arising from operations. The Company's current policy is to invest any significant excess cash in investment-grade short-term deposit certificates issued by reputable financial institutions with which it keeps its bank accounts and management believes the risk of loss to be remote. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Receivables consist of goods and services tax due from the Federal Government. Management believes that the credit risk concentration with respect to receivables is remote.

*Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 9.

## 6. Share Capital

*Authorized*

| | |
|---|---|
| Unlimited | Common shares without par value |
| Unlimited | Preferred shares with a $1 par value, redeemable for common shares on the basis of 1 common share for 2 preferred shares |
| Unlimited | Class A non-voting shares without par value. Special rights and restrictions apply. |

(Expressed in Canadian Dollars)

**6. Share Capital (Cont'd)**

*Treasury Shares*

At April 30, 2016, Rand owns 217,422 shares of the Company that have been deducted from the total shares issued and outstanding as treasury shares. Upon disposition of the Company's ownership of 51% of Rand on February 17, 2018 the 217,422 ceased to be recorded as treasury shares.

*Stock Options*

The Company has implemented a stock option plan (the "Plan") to be administered by the Board of Directors. Pursuant to the Plan, the Board of Directors has discretion to grant options for up to a maximum of 10% of the issued and outstanding common shares of the Company at the date the options are granted. The option price under each option shall be not less than the discounted market price on the grant date. The expiry date of an option shall be set by the Board of Directors at the time the option is awarded, and shall not be more than five years after the grant date.

All options granted under the 2000 plan have the following vesting schedule:

i) Up to 25% of the option may be exercised at any time during the term of the option; such initial exercise is referred to as the "First Exercise".
ii) The second 25% of the option may be exercised at any time after 90 days from the date of First Exercise; such second exercise is referred to as the "Second Exercise".
iii) The third 25% of the option may be exercised at any time after 90 days from the date of Second Exercise; such third exercise is referred to as the "Third Exercise".
iv) The fourth and final 25% of the option may be exercised at any time after 90 days from the date of the Third Exercise.
v) The options expire 60 months from the date of grant.

All options granted under the 2009 plan have the following vesting schedule:

(i) no more than 25% of an option may be exercised during any 90 day period during the term of the option; and
(ii) each optionee is restricted from selling more than 25% of the shares that may be acquired upon exercise of an option during any 90 day period.

Options granted to consultants engaged in investor relations activities will vest in stages over a minimum of 12 months with no more than 25% of the options vesting in any three-month period.

No options were granted or vested during the years ended April 30, 2018 and 2017. The Company had no option outstanding at April 30, 2018.

The following is a summary of options activities during the years ended April 30, 2018 and 2017:

| | **Number of options** | **Weighted average exercise price** |
|---|---|---|
| | | **$** |
| Outstanding at April 30, 2016 | 2,550,000 | 0.11 |
| Forfeited | (2,500,000) | 0.11 |
| Outstanding at April 30, 2017 | 50,000 | 0.11 |
| Expired | (50,000) | 0.11 |
| Outstanding at April 30, 2018 | - | - |

(Expressed in Canadian Dollars)

## 7. Equity Accounted Investees and Related Party Transactions

*REGI*

The Company's investment in REGI was reduced to $nil as the Company's share of past losses exceeded the carrying value of the investment in REGI. Prior to the Company's ASA effective on February 17, 2017, the Company owned 2,744,700 shares of REGI's common stock which were distributed to the Company's shareholders as dividend in kind during the year ended April 30, 2017, and Rand owned 588,567 shares of REGI's common stock. As at April 30, 2017 REGI ceased to be recorded as an equity accounted investee of the Company.

Upon closing of the ASA, all assets of the Company except GST receivable were transferred from Reg Tech to REGI. In addition, upon closing of the ASA, the REGI settled on behalf of Reg Tech the Company's accounts payable of $67,800 and balances owed to other related parties of $124,075, the total settlement of $191,875 was recorded as addition to contributed surplus during the year ended April 30, 2017.

*Minewest*

Prior to the Company's ASA with REGI, the Company's investment of 26.10% ownership in Minewest was recorded at $Nil under equity method. Upon completion of the ASA with REGI Minewest ceased to be recorded as an equity accounted investee of the Company.

*Other related parties*

During the year ended April 30, 2018, management fees of $30,000 (2017 - $50,000) were accrued and not paid to the sole director and officer of the Company.

All related party transactions are in the normal course of operations and have been measured at the agreed to amounts, which is the amount of consideration established and agreed to by the related parties.

At April 30, 2018 and 2017, the Company owed an aggregate of $90,552 and $53,835, respectively to related parties, as follows:

| | April 30, 2018<br>$ | April 30, 2017<br>$ |
|---|---|---|
| REGI | 8,704 | 1,987 |
| Teryl Resources Corp. | 1,848 | 1,848 |
| Sole director and officer | 80,000 | 50,000 |
| | 90,552 | 53,835 |

(Expressed in Canadian Dollars)

**8. Income Taxes**

Income tax expense differs from the amount that would result from applying the combined federal and provincial income tax rate to earnings before income taxes. These differences result from the following items:

| | For the year ended April 30, 2018 $ | For the year ended April 30, 2017 $ |
|---|---|---|
| Net loss before income taxes | (69,955) | (105,762) |
| Combined federal and provincial income tax rate | 26.00% | 26.00% |
| Expected income tax recovery | (18,188) | (27,498) |
| Increase due to: | | |
| Current and prior tax attributes not recognized | 18,188 | 27,498 |
| Income tax expense (recovery) | - | - |

The components of deferred tax assets are as follows:

| | 2018 $ | 2017 $ |
|---|---|---|
| Non-capital and capital losses | 1,427,617 | 1,409,429 |
| | 1,427,617 | 1,409,429 |
| Unrecognized deferred tax assets | (1,427,617) | (1,409,429) |
| Net deferred tax assets | - | - |

The Company has non-capital losses of approximately $4,265,526 that may be available to offset future income for income tax purposes. These losses expire as follows:

| | $ |
|---|---|
| 2026 | 402,253 |
| 2027 | 316,606 |
| 2028 | 432,893 |
| 2029 | 529,882 |
| 2030 | 396,986 |
| 2031 | 412,586 |
| 2032 | 391,751 |
| 2033 | 355,773 |
| 2034 | 280,482 |
| 2035 | 334,766 |
| 2036 | 235,831 |
| 2037 | 105,762 |
| 2038 | 69,955 |
| | 4,265,526 |

At April 30, 2018, the net amount which would give rise to a deferred income tax asset has not been recognized as it is not probable that such benefit will be utilized in the future years. The Company is open to examination for tax years 2006 through 2018 due to the carry back of net operating losses.

## 9. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to maintain the Company's good standing and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company currently does not have a business, its principal source of funds is from the issuance of common shares.

In the management of capital, the Company includes the share capital as well as cash and receivables.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash and short-term investments.

The Company expects its capital resources, which include share offering will be sufficient to carry its operations through its current operating period.

The Company is not subject to externally imposed capital requirements and there were no changes in its approach to capital management during the year ended April 30, 2018.

## 10. Subsequent Event

On July 26, 2018 the Company issued a secured promissory note of $29,950 at interest rate of 1% per month, secured against the Company's current and future assets, repayable the earlier of August 31, 2018 and the closing of the next private placement.

# Reg Technologies Inc.

Consolidated Financial Statements
(Expressed in Canadian Dollars)
**April 30, 2017**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and Sole Director of
Reg Technologies, Inc.

***Opinion on the Financial Statements***

We have audited the accompanying statement of financial position of Reg Technologies, Inc. (the “Company”) as of April 30, 2017, and the related statements of operations, changes in equity, and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of April 30, 2017, and the results of its operations and its cash flows for the year then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

***Going Concern Matter***

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

***Basis for Opinion***

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

*/s/ MaloneBailey, LLP*
www.malonebailey.com
We have served as the Company's auditor since 2018.
Houston, Texas
July 27, 2018

# Reg Technologies Inc.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

| | As at April 30, 2017 $ | As at April 30, 2016 $ |
|---|---|---|
| **Assets** | | |
| **Current** | | |
| Cash and cash equivalent | - | 54 |
| HST/GST receivable | 4,010 | 3,095 |
| | 4,010 | 3,149 |
| **Liabilities** | | |
| **Current** | | |
| Accounts payable | 84,014 | 116,390 |
| Accrued liabilities | 45,000 | 29,000 |
| Due to related parties (Note 7) | 53,835 | 122,711 |
| | 182,849 | 268,101 |
| **Shareholders' Deficit** | | |
| Share Capital (Note 6) | 13,636,565 | 13,636,565 |
| Warrants (Note 6) | 1,141,249 | 1,141,249 |
| Contributed Surplus | 10,864,172 | 10,587,750 |
| Deficit | (25,820,825) | (25,715,063) |
| | (178,839) | (349,499) |
| **Non-controlling interest** | - | 84,547 |
| | 4,010 | 3,149 |

**Nature and Continuance of Operations** (Note 1)
**Subsequent event** (Note 10)

**On behalf of the Board:**

*"Paul Chute"* Director
Paul Chute

**Reg Technologies Inc.**
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

| | For the year ended April 30, 2017 $ | For the year ended April 30, 2016 $ |
|---|---|---|
| **Expenses** | | |
| Shareholder communication | - | 21,276 |
| Foreign exchange gain | (1,125) | (24,689) |
| Management and directors' fees (Note 7) | 50,000 | 42,959 |
| Office expenses | 3,155 | 26,061 |
| Professional fees | 41,812 | 28,159 |
| Research and development | - | 53,983 |
| Rent and utilities (Note 7) | - | 13,950 |
| Transfer agent and filing fees | 8,823 | 15,907 |
| Travel and promotion | 3,097 | - |
| Wages and benefits | - | 19,007 |
| **Loss before other income (expense)** | (105,762) | (196,613) |
| **Other income (expense)** | | |
| Interest income | - | 304 |
| Gain on settlement of debt | - | 6,586 |
| Write-off of receivable from REGI US (Note 7) | - | (1,456,985) |
| **Net and comprehensive loss** | (105,762) | (1,646,708) |
| **Net and comprehensive loss attributable to:** | | |
| Shareholders of the Company | (105,762) | (1,659,337) |
| Non-controlling interest | - | 12,629 |
| | (105,762) | (1,646,708) |
| **Loss per share – basic and diluted** | (0.00) | (0.03) |
| **Weighted average number of common shares outstanding – basic and diluted** | 49,372,559 | 49,329,670 |

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

**Reg Technologies Inc.**
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

| | For the year ended April 30, 2017 $ | For the year ended April 30, 2016 $ |
|---|---|---|
| **Cash flows used in operating activities** | | |
| Net loss | (105,762) | (1,646,708) |
| Adjustments to reconcile loss to net cash used by operating activities: | | |
| Gain on debt settlement | - | (6,586) |
| Unrealized loss on foreign exchange | - | 8,909 |
| Write-off of receivable from REGI US | - | 1,456,985 |
| Changes in non-cash working capital items: | | |
| GST Receivable | (915) | (1,251) |
| Prepaid expenses | - | 26,416 |
| Accounts payable and accrued liabilities | 51,424 | 28,665 |
| Due to related parties | 55,199 | 96,681 |
| Net cash used in operating activities | (54) | (36,889) |
| **Cash flows used in investing activities** | | |
| Advances to REGI | - | (138,311) |
| Net cash used in investing activities | - | (138,311) |
| **Decrease in cash** | (54) | (175,200) |
| **Cash and cash equivalent, beginning** | 54 | 175,254 |
| **Cash and cash equivalent, ending** | - | 54 |
| **Non-cash items** | | |
| Non-controlling interest reclassified to contributed surplus | 84,547 | - |
| Accounts payable settled by REGI U.S., Inc. | 67,800 | - |
| Related party balances settled by REGI U.S., Inc. | 124,075 | - |
| **Supplemental Disclosures** | | |
| Interest paid | - | - |
| Income taxes paid | - | - |

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

# Reg Technologies Inc.

Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

| | Common Shares # | Common Shares $ | Contributed Surplus $ | Warrants $ | Deficit $ | Total Shareholders' Equity $ | Non-Controlling interest $ |
|---|---|---|---|---|---|---|---|
| **Balance – April 30, 2015** | **49,329,670** | **13,636,565** | **10,587,750** | **1,141,249** | **(24,055,726)** | **1,309,838** | **71,918** |
| Net loss | - | - | - | - | (1,659,337) | (1,659,337) | 12,629 |
| **Balance – April 30, 2016** | **49,329,670** | **13,636,565** | **10,587,750** | **1,141,249** | **(25,715,063)** | **(349,499)** | **84,547** |
| Disposition of assets | 217,422 | - | 84,547 | - | | 84,547 | (84,547) |
| Liabilities settled by REGI U.S., Inc. | - | - | 191,875 | - | - | 191,875 | - |
| Net loss | - | - | - | - | (105,762) | (105,762) | - |
| **Balance – April 30, 2017** | **49,547,092** | **13,636,565** | **10,864,172** | **1,141,249** | **(25,820,825)** | **(178,839)** | - |

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

## 1. Nature and Continuance of Operations

Reg Technologies Inc. ("Reg Tech" or the "Company") was a development stage company in the business of developing and commercially exploiting an improved axial vane type rotary engine known as the Rand Cam$^{TM}$/Direct Charge Engine and other RandCam$^{TM}$ / RadMax® applications (the "Technology"). The worldwide marketing and intellectual rights, other than in the U.S., were held by the Company. REGI U.S., Inc. ("REGI") (a U.S. public company) owned the U.S. marketing and intellectual rights. The Company and REGI had a project cost sharing agreement whereby these two companies each funded 50% of the development of the Technology.

Effective February 17, 2017 REGI purchased all of Reg Tech's assets including all rights to the Technology with the issuance of 51,757,119 shares of REGI's common stock, which were distributed to the shareholders of the Company as dividend in kind. Currently the Company is actively searching for a business.

**Asset Sales Agreement**

On September 16, 2016, the Company entered into an asset sales/purchase agreement (the "ASA") with REGI, a public company with a common director and officer and whose common stock is listed on OTC.QB to sell all of the Company's assets to REGI, with the issuance of 46,173,916 unregistered common shares of REGI. The ASA was amended on February 14, 2017 to increase the consideration shares to an aggregate of 51,757,119 unregistered common shares of REGI and to amend the list of the assets purchased. The shares issued to the Company were distributed to the Company's shareholders as dividend in kind. The transaction was closed on February 17, 2017 upon TSX Venture Exchange approval.

Upon closing of the ASA, all assets of the Company except GST receivable were transferred from Reg Tech to REGI. In addition, upon closing of the ASA, REGI settled on behalf of Reg Tech the Company's accounts payable of $67,800 and balances owed to other related parties of $124,075, the total settlement of $191,875 was recorded as addition to contributed surplus during the year ended April 30, 2017.

**Going Concern**

In a development stage company, management devotes most of its activities to establishing a new business. Planned principal activities have not yet produced any revenues and the Company has incurred recurring operating losses as is normal in development stage companies. The Company has a net capital deficiency and has accumulated losses of $25,820,825 since inception. These factors raise substantial doubt about the Company's ability to continue as a going-concern. The ability of the Company to emerge from the development stage with respect to its planned principal business activity is dependent upon its successful efforts to raise additional equity financing, receive funding from affiliates and controlling shareholders, and develop a market for its products.

Management is aware that material uncertainties exist, related to current economic conditions, which could adversely affect the Company's ability to continue to finance its activities. The Company receives interim support from affiliated companies and plans to raise additional capital through debt and/or equity financings. The Company may also raise additional funds through the exercise of warrants and stock options.

There is no certainty that the Company's efforts to raise additional capital will be successful. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in normal operations.

## 2. Statement of compliance

These consolidated financial statements of the Company and its subsidiaries, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on July 27, 2018.

## 3. Significant Accounting Policies

Basis of preparation

These consolidated financial statements were prepared on a going concern basis, under the historical cost convention, except for the revaluation of certain financial instruments.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Basis of consolidation and presentation

These financial statements include the accounts of the Company, and its 51% owned subsidiary, Rand Energy Group Inc. ("Rand") until February 17, 2017 when it was sold to REGI and the related non-controlling interest of $84,547 was reclassified to contributed surplus.

All significant inter-company balances and transactions were eliminated upon consolidation.

Investment in associates

Investments in which the Company had the ability to exert significant influence but did not have control were accounted for using the equity method whereby the original cost of the investment was adjusted annually for the Company's share of earnings, losses and dividends during the current year.

Cash equivalents

Cash equivalents consist of highly liquid investments that are readily convertible to cash with original maturities of three months or less when purchased.

Research and development costs

The Company carried on various research and development activities to develop its technology. Research costs were expensed in the periods in which they were incurred. Development costs that met all of the criteria to be recognized as an intangible asset, including reasonable expectation regarding future benefits, were to be capitalized and amortized over their expected useful lives. To date the Company did not capitalize any development costs.

**3. Significant Accounting Policies (Cont'd)**

Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and each of its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates.*

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the year-end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in comprehensive loss.

Share - based compensation

The Company's share option plan allows Company employees, directors, officers and consultants to acquire shares of the Company. The fair value of options granted is recognized as share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. In situations where equity instruments are issued to consultants and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor tax loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future income tax asset will be recovered, it does not recognize the asset.

**3. Significant Accounting Policies (Cont'd)**

Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted loss per share. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. However, diluted loss per share is not presented where the effects of various conversions and exercise of options and warrants would be anti-dilutive. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

Impairment of assets

The carrying amount of the Company's assets (which includes the exploration and evaluation asset) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Financial instruments

*Initial recognition and measurement*

Financial assets and liabilities are initially recognized at fair value. Financial assets are classified at initial recognition as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The Company does not use any hedging instruments. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 - inputs that are not based on observable market data.

At April 30, 2017 and 2016, all of the financial instruments measured at fair value are included in Level 1.

The Company's financial instruments consist of cash, amounts due to related parties, and accounts payable; the fair values of which are considered to approximate their carrying value due to their short-term maturities or ability of prompt liquidation.

### 3. Significant Accounting Policies (Cont'd)

Financial instruments (Cont'd)

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification. Financial assets at fair value through profit or loss includes financial assets held-for-trading which represent assets that are acquired for the purpose of selling or repurchasing in the near term. These financial assets are initially recorded in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement at fair value, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Any amortization of the effective interest rate method and any impairment is recognized in the statement of comprehensive loss.

Held-to-maturity investments represent assets to be held until a specific time period and are initially measured at fair value, including transaction costs. After initial measurement at fair value, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Any amortization of the effective interest rate method and any impairment is recognized in the statement of comprehensive loss.

Available-for-sale financial assets are investments in equity instruments that are measured at fair value with gains and losses, net of applicable taxes, included in other comprehensive income until the asset is removed from the statement of financial position. Once this occurs, the resultant gains or losses are recognized in comprehensive loss. Any permanent impairment of available-for-sale financial assets is also included in the statement of comprehensive loss.

Financial liabilities are initially recorded at fair value and are designated as fair value through profit or loss or other financial liabilities. Derivative financial liabilities are classified as fair value through profit or loss and are initially recorded in the statement of financial position at fair value with changes in fair value recognized in finance income or finance cost in the statement of comprehensive loss. Non-derivative financial liabilities are recorded at amortized cost using the effective interest rate method. Any amortization of the effective interest rate method is recognized in the statement of comprehensive loss.

Financial assets, others than those at fair value through profit and loss are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. The amount of impairment loss is recognized in the statement of comprehensive loss. Any subsequent reversals of impairment are also recognized in the statement of comprehensive income (loss), except for those related to available-for-sale financial assets.

New standards and interpretations

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in July 2014 and will replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is adopted May 1, 2018.

Other new accounting standards and interpretations are either not applicable or not expected to have a significant impact on the Company's consolidated financial statements.

## 4. Critical Accounting Estimates and Judgments

Use of Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions about the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the results of operations. Significant areas requiring the use of management estimates include determination of accrued liabilities, deferred tax assets and stock-based compensation. Actual results could differ from the estimates made.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Use of judgements

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgements or assessments with a significant risk of material adjustment in the next year.

(i) Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

(ii) Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

(iii) Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

(iv) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. The directors monitor future cash requirements to assess the Company's ability to meet these future funding requirements.

**5. Financial Instruments and Risk Management**

*Foreign exchange risk*

The Company is primarily exposed to currency fluctuations relative to the Canadian dollar through expenditures that are denominated in US dollars. Also, the Company is exposed to the impact of currency fluctuations on its monetary assets and liabilities.

The operating results and the financial position of the Company are reported in Canadian dollars. Fluctuations in exchange rates will, consequently, have an impact upon the reported operations of the Company and may affect the value of the Company's assets and liabilities.

The Company currently does not enter into financial instruments to manage foreign exchange risk.

The Company is exposed to foreign currency risk through the following financial assets and liabilities that are denominated in United States dollars:

| April 30, 2017 | Accounts Payable |
|---|---|
| | $ 28,049 |

At April 30, 2017 with other variables unchanged, a +/-10% change in exchange rates would increase/decrease pre-tax loss by approximately +/- $2,805.

*Interest rate and credit risk*

As at April 30, 2017 and 2016, the Company had no cash balance and no interest-bearing debt. The Company has no significant concentrations of credit risk arising from operations. The Company's current policy is to invest any significant excess cash in investment-grade short-term deposit certificates issued by reputable financial institutions with which it keeps its bank accounts and management believes the risk of loss to be remote. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Receivables consist of goods and services tax due from the Federal Government. Management believes that the credit risk concentration with respect to receivables is remote.

*Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 9.

**6. Share Capital**

*Authorized*

| | |
|---|---|
| Unlimited | Common shares without par value |
| Unlimited | Preferred shares with a $1 par value, redeemable for common shares on the basis of 1 common share for 2 preferred shares |
| Unlimited | Class A non-voting shares without par value. Special rights and restrictions apply. |

**6. Share Capital (Cont'd)**

*Treasury Shares*

At April 30, 2016, Rand owned 217,422 shares of the Company that had been deducted from the total shares issued and outstanding as treasury shares. Upon disposition of the Company's ownership of 51% of Rand on February 17, 2017 the 217,422 ceased to be recorded as treasury shares.

*Stock Options*

The Company has implemented a stock option plan (the "Plan") to be administered by the Board of Directors. Pursuant to the Plan, the Board of Directors has discretion to grant options for up to a maximum of 10% of the issued and outstanding common shares of the Company at the date the options are granted. The option price under each option shall be not less than the discounted market price on the grant date. The expiry date of an option shall be set by the Board of Directors at the time the option is awarded, and shall not be more than five years after the grant date.

All options granted under the 2000 plan have the following vesting schedule:

i) Up to 25% of the option may be exercised at any time during the term of the option; such initial exercise is referred to as the "First Exercise".
ii) The second 25% of the option may be exercised at any time after 90 days from the date of First Exercise; such second exercise is referred to as the "Second Exercise".
iii) The third 25% of the option may be exercised at any time after 90 days from the date of Second Exercise; such third exercise is referred to as the "Third Exercise".
iv) The fourth and final 25% of the option may be exercised at any time after 90 days from the date of the Third Exercise.
v) The options expire 60 months from the date of grant.

All options granted under the 2009 plan have the following vesting schedule:

(i) no more than 25% of an option may be exercised during any 90 day period during the term of the option; and
(ii) each optionee is restricted from selling more than 25% of the shares that may be acquired upon exercise of an option during any 90 day period.

Options granted to consultants engaged in investor relations activities will vest in stages over a minimum of 12 months with no more than 25% of the options vesting in any three-month period.

No options were granted or vested during the years ended April 30, 2017 and 2016.

(Expressed in Canadian Dollars)

## 6. Share Capital (Cont'd)

*Stock Options (Cont'd)*

The following is a summary of options activities during the years ended April 30, 2017 and 2016:

| | Number of options | Weighted average exercise price |
|---|---|---|
| | | $ |
| Outstanding at April 30, 2015 | 4,025,000 | 0.11 |
| Forfeited | (725,000) | 0.11 |
| Expired | (750,000) | 0.14 |
| Outstanding at April 30, 2016 | 2,550,000 | 0.11 |
| Forfeited | (2,500,000) | 0.11 |
| Outstanding at April 30, 2017 | 50,000 | 0.11 |

The following options were outstanding at April 30, 2017:

| Expiry Date | Exercise price | Number of options | Remaining contractual life (years) |
|---|---|---|---|
| | $ | | |
| April 11, 2018 | 0.11 | 50,000 | 0.95 |
| Options Outstanding | | 50,000 | |
| Options Exercisable | | 12,500 | |

*Share Purchase Warrants*

There were no warrants activities during the year ended April 30, 2016.

The following is a summary of warrant activities during the year ended April 30, 2017:

| | Number of warrants | Weighted average exercise price |
|---|---|---|
| | | $ |
| Outstanding at April 30, 2015 and 2016 | 9,900,000 | 0.15 |
| Expired | (9,900,000) | 0.15 |
| Outstanding at April 30, 2017 | - | - |

No warrants were outstanding at April 30, 2017.

## 7. Equity Accounted Investees and Related Party Transactions

*REGI*

The Company's investment in REGI was reduced to $nil as the Company's share of past losses exceeded the carrying value of the investment in REGI. Prior to the Company's ASA effective on February 17, 2017, the Company owned 2,744,700 shares of REGI's common stock which were distributed to the Company's shareholders as dividend in kind during the year ended April 30, 2017, and Rand owned 588,567 shares of REGI's common stock. As at April 30, 2017 REGI ceased to be recorded as an equity accounted investee of the Company.

At April 30, 2016, the Company was owed an aggregate of $1,456,985 by REGI. The amounts owed are unsecured, non-interest bearing and due on demand. As the management did not have reasonable expectations for the recovery of this amount, the balance was written off during the year ended April 30, 2016.

Upon closing of the ASA, all assets of the Company except GST receivable were transferred from Reg Tech to REGI. In addition, upon closing of the ASA, REGI settled on behalf of Reg Tech the Company's accounts payable of $67,800 and balances owed to other related parties of $124,075, the total settlement of $191,875 was recorded as addition to contributed surplus during the year ended April 30, 2017.

*Minewest*

Prior to the Company's ASA with REGI, the Company's investment of 26.10% ownership in Minewest was recorded at $Nil under equity method. Upon completion of the ASA with REGI Minewest ceased to be recorded as an equity accounted investee of the Company.

*Other related parties*

During the year ended April 30, 2017 REGI made an additional payment of $1,987 on behalf of the Company, which was recorded as due to REGI as a related party. As at April 30, 2017 the Company had a balance of $1,987 owed to REGI and recorded as due to related parties.

During the year ended April 30, 2017, management fees of $50,000 (2016 - $Nil) were accrued and not paid to the sole director and officer of the Company.

During the year ended April 30, 2017, rent and utility of $Nil (2016 - $13,950) were incurred with a company controlled by a former director and officer.

During the year ended April 30, 2017, management fees of $Nil (2016 - $22,500) were accrued or paid to a company controlled by a former director and officer.

During the year ended April 30, 2017, management fees of $Nil (2016 - $5,459) and director fees of $Nil (2016 - $15,000) were accrued or paid to officers, directors and companies controlled by former officers and directors for services rendered.

All related party transactions are in the normal course of operations and have been measured at the agreed to amounts, which is the amount of consideration established and agreed to by the related parties.

(Expressed in Canadian Dollars)

**7. Equity Accounted Investees and Related Party Transactions (Cont'd)**

At April 30, 2017 and 2016, the Company owed an aggregate of $53,835 and $122,711, respectively to related parties, as follows:

| | April 30, 2017 | April 30, 2016 |
|---|---|---|
| | $ | $ |
| KLR Petroleum Inc. | - | 66,672 |
| Minewest Silve and Gold Corp. | - | 6,253 |
| SMR Investments Ltd. | - | 29,782 |
| REGI | 1,987 | - |
| Teryl Resources Corp. | 1,848 | 1,848 |
| Former director and officer | - | 18,156 |
| Sole director and officer | 50,000 | - |
| | 53,835 | 122,711 |

**8. Income Taxes**

Income tax expense differs from the amount that would result from applying the combined federal and provincial income tax rate to earnings before income taxes. These differences result from the following items:

| | For the year ended April 30, 2017 | For the year ended April 30, 2016 |
|---|---|---|
| | $ | $ |
| Net loss before income taxes | (105,762) | (1,646,708) |
| Combined federal and provincial income tax rate | 26.00% | 26.00% |
| Expected income tax recovery | (27,498) | (428,144) |
| | | |
| Increase (decrease) due to: | | |
| Non-deductible expenses | - | (306,789) |
| Current and prior tax attributes not recognized | 27,498 | 734,933 |
| Income tax expense (recovery) | - | - |

The components of deferred tax assets are as follows:

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Non-capital and capital losses | 1,409,429 | 1,771,143 |
| Intangible assets and other | - | 81,662 |
| Equipment | - | 1,229 |
| | 1,409,429 | 1,854,034 |
| Unrecognized deferred tax assets | (1,409,429) | (1,854,034) |
| Net deferred tax assets | - | - |

(Expressed in Canadian Dollars)

**8. Income Taxes (Cont'd)**

The Company has non-capital losses of approximately $4,195,571 that may be available to offset future income for income tax purposes. These losses expire as follows:

| | $ |
|---|---|
| 2026 | 402,253 |
| 2027 | 316,606 |
| 2028 | 432,893 |
| 2029 | 529,882 |
| 2030 | 396,986 |
| 2031 | 412,586 |
| 2032 | 391,751 |
| 2033 | 355,773 |
| 2034 | 280,482 |
| 2035 | 334,766 |
| 2036 | 235,831 |
| 2037 | 105,762 |
| | 4,195,571 |

At April 30, 2017, the net amount which would give rise to a deferred income tax asset has not been recognized as it is not probable that such benefit will be utilized in the future years. The Company is open to examination for tax years 2006 through 2017 due to the carry back of net operating losses.

**9. Capital Management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to maintain the Company's good standing and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company currently does not have a business, its principal source of funds is from the issuance of common shares.

In the management of capital, the Company includes the share capital as well as cash and receivables.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash and short-term investments.

The Company expects its capital resources, which include share offering will be sufficient to carry its operations through its current operating period.

The Company is not subject to externally imposed capital requirements and there were no changes in its approach to capital management during the year ended April 30, 2017.

**10. Subsequent Event**

On July 26, 2018 the Company issued a secured promissory note of $29,950 at interest rate of 1% per month, secured against the Company's current and future assets, repayable the earlier of August 31, 2018 and the closing of the next private placement.

# Reg Technologies Inc.
# (A Development Stage Company)

Consolidated Financial Statements
(Expressed in Canadian Dollars)
**April 30, 2016**

UNIT 114B (2nd Floor) – 8988 FRASERTON COURT
BURNABY, BC V5J 5H8

T: **604.239.0868**
F: **604.239.0866**

ACHAN
**A CHAN AND COMPANY LLP**

**INDEPENDENT AUDITORS' REPORT**

To: the Shareholders of
Reg Technologies Inc.

We have audited the accompanying consolidated financial statements of Reg Technologies Inc. (the "Company"), which comprise the consolidated statements of financial position as at April 30, 2016 and April 30, 2015, and the consolidated statements of operations and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the years ended April 30, 2016 and April 30, 2015, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2016 and April 30, 2015, and its financial performance and its cash flows for the years ended April 30, 2016 and April 30, 2015 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**Emphasis of Matter**
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has incurred losses to date. This condition, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty that may cast substantial doubt about the Company's ability to continue as a going concern.

***"A Chan and Company LLP"***
Chartered Professional Accountants

Burnaby, British Columbia
August 26, 2016

**Reg Technologies Inc.**
**(A Development Stage Company)**
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

| | As at 30 April 2016 $ | As at 30 April 2015 $ |
|---|---|---|
| **Assets** | | |
| **Current** | | |
| Cash and cash equivalent | 54 | 175,254 |
| HST/GST receivable | 3,095 | 1,844 |
| Prepaid expenses | - | 26,416 |
| Prepaid expense - Minewest (Note 7) | - | 2,323 |
| Advances to REGI US (Note 7) | - | 1,318,674 |
| | 3,149 | 1,524,511 |
| **Liabilities** | | |
| **Current** | | |
| Accounts payable | 116,390 | 95,225 |
| Accrued liabilities | 29,000 | 21,500 |
| Due to related parties (Note 7) | 122,711 | 26,030 |
| | 268,101 | 142,755 |
| **Shareholders' equity** | | |
| Share Capital (Note 6) | 13,636,565 | 13,636,565 |
| Warrants (Note 6) | 1,141,249 | 1,141,249 |
| Contributed Surplus | 10,587,750 | 10,587,750 |
| Deficit | (25,715,063) | (24,055,726) |
| | (349,499) | 1,309,838 |
| **Non-controlling interest** | 84,547 | 71,918 |
| | 3,149 | 1,524,511 |

**Nature and Continuance of Operations** (Note 1)
**Commitments** (Note 8)
**Subsequent event** (Note 11)

**On behalf of the Board:**

| | | | |
|---|---|---|---|
| *"John Robertson"* | Director | *"Paul Chute"* | Director |
| John Robertson | | Paul Chute | |

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

**Reg Technologies Inc.**
**(A Development Stage Company)**
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

| | For the year ended April 30, 2016 $ | For the year ended April 30, 2015 $ |
|---|---|---|
| **Expenses** | | |
| Shareholder communication | 21,276 | 17,442 |
| Foreign exchange gain | (24,689) | (63,988) |
| Management and directors' fees (Note 7) | 42,959 | 72,315 |
| Office expenses | 26,061 | 46,904 |
| Professional fees | 28,159 | 34,238 |
| Research and development | 53,983 | 58,402 |
| Rent and utilities (Note 7) | 13,950 | 15,034 |
| Stock-based compensation (Note 6) | - | 26,783 |
| Transfer agent and filing fees | 15,907 | 32,634 |
| Travel and promotion | - | 909 |
| Wages and benefits | 19,007 | 34,343 |
| **Loss before other income (expense)** | (196,613) | (275,016) |
| **Other income (expense)** | | |
| Interest income | 304 | 4,834 |
| Gain on settlement of debt (Note 6) | 6,586 | - |
| Write-off of GST receivable | - | (761) |
| Loss in equity investment | - | (77,119) |
| Impairment of equity investment in Minewest (Note 7) | - | (174,968) |
| Write-off of receivable from REGI US (Note 7) | (1,456,985) | - |
| Write-off of assets held for distribution to shareholders (Note 7) | - | (471,200) |
| **Net and comprehensive loss** | (1,646,708) | (994,230) |
| **Net and comprehensive loss attributable to:** | | |
| Shareholders of the Company | (1,659,337) | (1,027,098) |
| Non-controlling interest | 12,629 | 32,868 |
| | (1,646,708) | (994,230) |
| **Loss per share – basic and diluted** | (0.03) | (0.02) |
| **Weighted average number of common shares outstanding – basic and diluted** | 49,329,670 | 49,329,670 |

## Reg Technologies Inc.
## (A Development Stage Company)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

| | For the year ended April 30 2016 $ | For the year ended April 30 2015 $ |
|---|---|---|
| **Cash flows used in operating activities** | | |
| Net loss | (1,646,708) | (994,230) |
| Adjustments to reconcile loss to net cash used by operating activities: | | |
| Write-off of GST receivable | - | 761 |
| Stock-based compensation | - | 26,783 |
| Gain on debt settlement | (6,586) | - |
| Unrealized (gain) loss on foreign exchange | 8,909 | (68,052) |
| Loss in equity investment | - | 77,119 |
| Write-off of assets held for distribution to shareholders | - | 471,200 |
| Impairment of equity investment in Minewest | - | 174,968 |
| Write-off of receivable from REGI US | 1,456,985 | - |
| Changes in non-cash working capital items: | | |
| HST/GST receivable | (1,251) | 3,133 |
| Prepaid expenses | 26,416 | (25,000) |
| Accounts payable and accrued liabilities | 28,665 | (82,790) |
| Due to (from) related parties | 96,681 | (65,023) |
| | (36,889) | (481,131) |
| **Cash flows provided by investing activities** | | |
| Advances (to) from REGI | (138,311) | (263,797) |
| | (138,311) | (263,797) |
| **Cash flows provided by financing activities** | | |
| Repayment of advance from Minewest | - | (21,732) |
| | - | (21,732) |
| **Increase (decrease) in cash** | (175,200) | (766,660) |
| **Cash and cash equivalent, beginning** | 175,254 | 941,914 |
| **Cash and cash equivalent, ending** | 54 | 175,254 |
| **Non-cash items** | | |
| Shares issued for debt settlement | - | - |
| **Supplemental Disclosures** | | |
| Interest paid | - | - |
| Income taxes paid | - | - |

## Reg Technologies Inc.
## (A Development Stage Company)
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

| | Common Shares # | Common Shares $ | Contributed Surplus $ | Warrants $ | Deficit $ | Total Shareholders' Equity $ | Non-Controlling interest $ |
|---|---|---|---|---|---|---|---|
| **Balance – April 30, 2014** | **49,329,670** | **13,636,565** | **10,560,967** | **1,141,249** | **(23,028,628)** | **2,310,153** | **39,050** |
| Stock-based compensation | – | – | 26,783 | – | – | 26,783 | – |
| Net loss | – | – | – | – | (1,027,098) | (1,027,098) | 32,868 |
| **Balance – April 30, 2015** | **49,329,670** | **13,636,565** | **10,587,750** | **1,141,249** | **(24,055,726)** | **1,309,838** | **71,918** |
| Net loss | – | – | – | – | (1,659,337) | (1,659,337) | 12,629 |
| **Balance – April 30, 2016** | **49,329,670** | **13,636,565** | **10,587,750** | **1,141,249** | **(25,715,063)** | **(349,499)** | **84,547** |

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

## 1. Nature and Continuance of Operations

Reg Technologies Inc. ("Reg Tech" or the "Company") is a development stage company in the business of developing and commercially exploiting an improved axial vane type rotary engine known as the Rand Cam™/Direct Charge Engine and other RandCam™ / RadMax® applications, such as compressors and pumps (the "Technology"). The worldwide marketing and intellectual rights, other than in the U.S., are held by the Company, which as at April 30, 2016 owns a 10.17% interest in REGI U.S, Inc. ("REGI") (a U.S. public company). REGI owns the U.S. marketing and intellectual rights. The Company and REGI have a project cost sharing agreement whereby these two companies each fund 50% of the development of the Technology.

On July 6, 2010, Reg Tech incorporated a wholly owned subsidiary Minewest Silver and Gold Inc. ("Minewest") under the laws of British Columbia. Pursuant to a Plan of Arrangement with Minewest, Reg Tech signed an asset transfer agreement (the "Transfer Agreement") on August 5, 2010 with Minewest to transfer Reg Tech's undivided 45% interest in mineral claims in the Liard Mining Division, located in northern British Columbia (the "Silverknife Claims") to Minewest for consideration of cash payment of $25,000 and issuance of 8,000,000 common shares of the Company.

Effective November 17, 2011 Reg Tech obtained court approval for the Plan of Arrangement. On December 14, 2011, Reg Tech declared Minewest shares as dividend for Reg Tech shareholders on the record date of December 21, 2011, whereby one Minewest share is distributed for seven Reg Tech shares. As a result of the dividend declaration, the Company expects to retain approximately 3,287,737 shares of Minewest.

In a development stage company, management devotes most of its activities to establishing a new business. Planned principal activities have not yet produced any revenues and the Company has incurred recurring operating losses as is normal in development stage companies. The Company has accumulated losses of $25,715,063 since inception. These factors raise substantial doubt about the Company's ability to continue as a going-concern. The ability of the Company to emerge from the development stage with respect to its planned principal business activity is dependent upon its successful efforts to raise additional equity financing, receive funding from affiliates and controlling shareholders, and develop a market for its products.

Management is aware that material uncertainties exist, related to current economic conditions, which could adversely affect the Company's ability to continue to finance its activities. The Company receives interim support from affiliated companies and plans to raise additional capital through debt and/or equity financings. The Company may also raise additional funds through the exercise of warrants and stock options.

There is no certainty that the Company's efforts to raise additional capital will be successful. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in normal operations.

## 2. Statement of compliance

These consolidated financial statements of the Company and its subsidiaries, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on August 26, 2016.

## 3. Significant Accounting Policies

Basis of preparation

These consolidated financial statements were prepared on a going concern basis, under the historical cost convention, except for the revaluation of certain financial instruments.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Basis of consolidation and presentation

These financial statements include the accounts of the Company, its 80% owned subsidiary Minewest Silver and Gold Inc. ("Minewest") until November 18, 2011 when the Company lost control (Note 1) and its 51% owned subsidiary, Rand Energy Group Inc. ("Rand"), which owns a 1.80% (2015 – 1.80%) interest in REGI. Reg Tech also owns an 8.37% (2015 – 8.37%) interest in REGI. Prior to April 30, 2008, REGI was considered a controlled subsidiary for consolidation purposes by way of control through an annually renewable voting trusts agreement, with other affiliated companies. This trusts agreement gave the Company 50% control of the voting shares of REGI. The agreement could be cancelled by the President of the 51% owned subsidiary with seven days' written notice to the affiliated companies. Effective April 30, 2008, the voting trusts agreement was cancelled and consequently the investment in REGI has been accounted for as investment in associates.

Starting from November 18, 2011, the accounts of Minewest ceased to be consolidated as a result of Reg Tech's loss of control in Minewest and consequently were accounted for as investment in associates.

All significant inter-company balances and transactions have been eliminated upon consolidation.

Investment in associates

Investments in which the Company has the ability to exert significant influence but does not have control are accounted for using the equity method whereby the original cost of the investment is adjusted annually for the Company's share of earnings, losses and dividends during the current year.

## 3. Significant Accounting Policies (Cont'd)

Cash equivalents

Cash equivalents consist of highly liquid investments that are readily convertible to cash with original maturities of three months or less when purchased.

Equipment

Equipment consists of office furniture and equipment, and computer hardware recorded at cost and amortized on a straight-line basis over a five-year and three-year period, respectively.

Research and development costs

The Company carries on various research and development activities to develop its technology. Research costs are expensed in the periods in which they are incurred. Development costs that meet all of the criteria to be recognized as an intangible asset, including reasonable expectation regarding future benefits, are capitalized and are amortized over their expected useful lives. To date the Company has not capitalized any development costs.

Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and each of its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates.*

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the year-end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in comprehensive loss.

**3. Significant Accounting Policies (Cont'd)**

Share - based compensation

The Company's share option plan allows Company employees, directors, officers and consultants to acquire shares of the Company. The fair value of options granted is recognized as share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. In situations where equity instruments are issued to consultants and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor tax loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future income tax asset will be recovered, it does not recognize the asset.

## 3. Significant Accounting Policies (Cont'd)

Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted loss per share. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. However, diluted loss per share is not presented where the effects of various conversions and exercise of options and warrants would be anti-dilutive. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

Financial instruments

*Initial recognition and measurement*

Financial assets and liabilities are initially recognized at fair value. Financial assets are classified at initial recognition as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The Company does not use any hedging instruments. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 - inputs that are not based on observable market data.

At April 30, 2016, all of the financial instruments measured at fair value are included in Level 1.

The Company's financial instruments consist of cash, from and to related parties and Minewest, and accounts payable; the fair values of which are considered to approximate their carrying value due to their short-term maturities or ability of prompt liquidation.

### 3. Significant Accounting Policies (Cont'd)

Financial instruments (Cont'd)

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification. Financial assets at fair value through profit or loss includes financial assets held-for-trading which represent assets that are acquired for the purpose of selling or repurchasing in the near term. These financial assets are initially recorded in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement at fair value, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Any amortization of the effective interest rate method and any impairment is recognized in the statement of comprehensive loss.

Held-to-maturity investments represent assets to be held until a specific time period and are initially measured at fair value, including transaction costs. After initial measurement at fair value, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Any amortization of the effective interest rate method and any impairment is recognized in the statement of comprehensive loss.

Available-for-sale financial assets are investments in equity instruments that are measured at fair value with gains and losses, net of applicable taxes, included in other comprehensive income until the asset is removed from the statement of financial position. Once this occurs, the resultant gains or losses are recognized in comprehensive loss. Any permanent impairment of available-for-sale financial assets is also included in the statement of comprehensive loss.

Financial liabilities are initially recorded at fair value and are designated as fair value through profit or loss or other financial liabilities. Derivative financial liabilities are classified as fair value through profit or loss and are initially recorded in the statement of financial position at fair value with changes in fair value recognized in finance income or finance cost in the statement of comprehensive loss. Non-derivative financial liabilities are recorded at amortized cost using the effective interest rate method. Any amortization of the effective interest rate method is recognized in the statement of comprehensive loss.

Financial assets, others than those at fair value through profit and loss are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. The amount of impairment loss is recognized in the statement of comprehensive loss. Any subsequent reversals of impairment are also recognized in the statement of comprehensive income (loss), except for those related to available-for-sale financial assets.

## 3. Significant Accounting Policies (Cont'd)

Mineral property or exploration and evaluation

The Company follows the practice of capitalizing all costs relating to the acquisition of, exploration and development of mineral claims and crediting all proceeds received for farm-out arrangements or recovery of costs against the cost of the related claims. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farm-out of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income the costs recovered on mineral properties when the amounts received or receivable are in excess of the carrying amount.

Upon transfer of “Exploration and evaluation costs” into “Mine Development”, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized within “Mine development”. After production starts, all assets included in “Mine development” are transferred to “Producing Mines”.

**3. Significant Accounting Policies (Cont'd)**

Mineral property or exploration and evaluation (Cont'd)

All capitalized exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to the results of operations. Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

Asset retirement and environmental obligations

The fair value of a liability for an asset retirement or environmental obligation is recognized when a reasonable estimate of fair value can be made. The asset retirement or environmental obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement or environmental cost is charged to operations using a systematic and rational method and the resulting liability is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flow. As of April 30, 2016 and 2015, the Company does not have any asset retirement or environmental obligations.

Impairment of assets

The carrying amount of the Company's assets (which includes the exploration and evaluation asset) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

## 3. Significant Accounting Policies (Cont'd)

New standards and interpretations

The following standard has been issued but is not yet effective:

(i) Financial instruments

The IASB has issued IFRS 9 - Financial Instruments ("IFRS 9") which intends to replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") in its entirety with three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments. The IASB tentatively decided to defer the mandatory effective date until January 1, 2018 with earlier adoption still permitted. The Company will evaluate the impact the final standard will have on its financial statements based on the characteristics of its financial instruments at the time of adoption. The Company is currently evaluating the impact of the standard on its financial performance and financial statements disclosures but expects that such impact will not be material.

The Company has adopted the following new accounting standards effective May 1, 2014. These changes were in made in accordance with the applicable transitional provisions and had no impact on the financial statements.

(i) Levies

The IASB issued IFRIC 21 - Levies ("IFRIC 21"), an interpretation of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past activity or event ("obligating event") described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014.

## 3. Significant Accounting Policies (Cont'd)

New standards and interpretations (Cont'd)

(ii) Impairment of assets

The IASB issued amendments to IAS 36 - Impairment of Assets ("amendments to IAS 36"). The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or CGU to periods in which an impairment loss has been recognized or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less cost of disposal. The amendments are effective for annual periods beginning on or after January 1, 2014 and should be applied retrospectively.

## 4. Critical Accounting Estimates and Judgments

Use of Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions about the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the results of operations. Significant areas requiring the use of management estimates include determination of accrued liabilities, deferred tax assets and stock-based compensation. Actual results could differ from the estimates made.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Use of judgements

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgements or assessments with a significant risk of material adjustment in the next year.

(i) Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

## 4. Critical Accounting Estimates and Judgments (Cont'd)

Use of judgements (Cont'd)

(ii) Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

(iii) Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

(iv) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. The directors monitor future cash requirements to assess the Company's ability to meet these future funding requirements.

## 5. Financial Instruments and Risk Management

*Foreign exchange risk*

The Company is primarily exposed to currency fluctuations relative to the Canadian dollar through expenditures that are denominated in US dollars. Also, the Company is exposed to the impact of currency fluctuations on its monetary assets and liabilities.

The operating results and the financial position of the Company are reported in Canadian dollars. Fluctuations in exchange rates will, consequently, have an impact upon the reported operations of the Company and may affect the value of the Company's assets and liabilities.

The Company currently does not enter into financial instruments to manage foreign exchange risk.

The Company is exposed to foreign currency risk through the following financial assets and liabilities that are denominated in United States dollars:

| April 30, 2016 | Cash | Advances to Equity Accounted Investee | Accounts Payable |
|---|---|---|---|
| | $ 2 | $ 28,051 | $ 28,049 |

At April 30, 2016 with other variables unchanged, a +/-10% change in exchange rates would increase/decrease pre-tax loss by approximately +/- $2,805.

*Interest rate and credit risk*

As at April 30, 2016, the Company has minimal cash balances and no interest-bearing debt. The Company has no significant concentrations of credit risk arising from operations. The Company's current policy is to invest any significant excess cash in investment-grade short-term deposit certificates issued by reputable financial institutions with which it keeps its bank accounts and management believes the risk of loss to be remote. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Receivables consist of goods and services tax due from the Federal Government. Management believes that the credit risk concentration with respect to receivables is remote.

*Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 10.

(Expressed in Canadian Dollars)

## 6. Share Capital

*Authorized*

| | |
|---|---|
| Unlimited | Common shares without par value |
| Unlimited | Preferred shares with a $1 par value, redeemable for common shares on the basis of 1 common share for 2 preferred shares |
| Unlimited | Class A non-voting shares without par value. Special rights and restrictions apply. |

*Treasury Shares*

At April 30, 2016, Rand owns 217,422 (2015 – 217,422) shares of the Company that have been deducted from the total shares issued and outstanding.

*Stock Options*

The Company has implemented a stock option plan (the "Plan") to be administered by the Board of Directors. Pursuant to the Plan, the Board of Directors has discretion to grant options for up to a maximum of 10% of the issued and outstanding common shares of the Company at the date the options are granted. The option price under each option shall be not less than the discounted market price on the grant date. The expiry date of an option shall be set by the Board of Directors at the time the option is awarded, and shall not be more than five years after the grant date.

All options granted under the 2000 plan have the following vesting schedule:

i) Up to 25% of the option may be exercised at any time during the term of the option; such initial exercise is referred to as the "First Exercise".
ii) The second 25% of the option may be exercised at any time after 90 days from the date of First Exercise; such second exercise is referred to as the "Second Exercise".
iii) The third 25% of the option may be exercised at any time after 90 days from the date of Second Exercise; such third exercise is referred to as the "Third Exercise".
iv) The fourth and final 25% of the option may be exercised at any time after 90 days from the date of the Third Exercise.
v) The options expire 60 months from the date of grant.

All options granted under the 2009 plan have the following vesting schedule:

(i) no more than 25% of an option may be exercised during any 90 day period during the term of the option; and
(ii) each optionee is restricted from selling more than 25% of the shares that may be acquired upon exercise of an option during any 90 day period.

Options granted to consultants engaged in investor relations activities will vest in stages over a minimum of 12 months with no more than 25% of the options vesting in any three-month period.

During the year ended April 30, 2016, the Company recorded stock-based compensation of $Nil (2015 - $26,783) as a general and administrative expense.

(Expressed in Canadian Dollars)

## 6. Share Capital (Cont'd)

*Stock Options(Cont'd)*

On July 10, 2014, the Company granted to certain directors and consultants 1,175,000 options exercisable at $0.10 per share into the Company's common stock up to July 10, 2019. The fair value of options was estimated using the Black-Scholes option pricing model using the following weighted average assumptions: risk free interest rate of 1.18%, expected volatility of 183%, an expected option life of 5 years and no expected dividends. The weighted average fair value of options granted was $0.09 per option.

As at April 30, 2016, as the Company believes that it is not probable that any options would vest except the first 25% of the options that vested immediately at a date of the First Exercise, the fair value of the first 25% of the options that vested were charged to the consolidated statements of loss and comprehensive loss.

The following is a summary of options activities during the years ended April 30, 2016 and 2015:

| | Number of options | Weighted average exercise price |
|---|---|---|
| | | $ |
| Outstanding at April 30, 2014 | 2,900,000 | 0.12 |
| Granted | 1,175,000 | 0.10 |
| Expired | (50,000) | 0.21 |
| Outstanding at April 30, 2015 | 4,025,000 | 0.11 |
| Forfeited | (725,000) | 0.11 |
| Expired | (750,000) | 0.14 |
| Outstanding at April 30, 2016 | 2,550,000 | 0.11 |

The following options were outstanding at April 30, 2016:

| Expiry Date | Exercise price | Number of options | Remaining contractual life (years) |
|---|---|---|---|
| | $ | | |
| April 11, 2018 | 0.11 | 1,350,000 | 1.95 |
| August 21, 2018 | 0.10 | 200,000 | 2.31 |
| July 10, 2019 | 0.10 | 1,000,000 | 3.19 |
| Options Outstanding | | 2,550,000 | |
| Options Exercisable | | 637,500 | |

(Expressed in Canadian Dollars)

**6. Share Capital (Cont'd)**

*Share Purchase Warrants*

On June 9, 2013, 1,063,300 warrants exercisable at $0.20 per share into the Company's common stock expired without being exercised.

On September 10, 2013, 2,115,375 warrants of the Company exercisable at $0.15 per share into the Company's common stock were extended from September 20, 2013 to September 20, 2014. The fair value of warrant extension was estimated at $112,319 using the Black-Scholes option pricing model using the following weighted average assumptions: risk free interest rate of 1.35%, expected volatility of 225.54%, an expected option life of 1.03 years and no expected dividends.

The following is a summary of warrant activities during the years ended April 30, 2016 and 2015:

| | Number of warrants | Weighted average exercise price $ |
|---|---|---|
| Outstanding at April 30, 2014 | 12,015,375 | 0.15 |
| Expired | (2,115,375) | 0.15 |
| Outstanding at April 30, 2015 and 2016 | 9,900,000 | 0.15 |

The following warrants were outstanding at April 30, 2016:

| Expiry Date | Exercise price $ | Number of warrants |
|---|---|---|
| March 26, 2017 | 0.15 | 2,200,000 |
| April 30, 2017 | 0.15 | 7,700,000 |
| | 0.15 | 9,900,000 |

(Expressed in Canadian Dollars)

## 7. Equity Accounted Investees and Related Party Transactions

*REGI*

The Company's investment in REGI has been reduced to $nil as the Company's share of past losses exceeded the carrying value of the investment in REGI.

At April 30, 2016, the Company is owed an aggregate of $1,456,985 (2015 - $1,318,674) by REGI. The amounts owed are unsecured, non-interest bearing and due on demand. As the management does not have reasonable expectations for the recovery of this amount, the balance is written off during the year ended April 30, 2016.

The following summarizes the consolidated financial information of REGI.

| | April 30, 2016 | April 30, 2015 |
|---|---|---|
| | US$ | US$ |
| Total current assets and total assets | 42 | 491 |
| Total current liabilities and total liabilities | 2,109,628 | 1,976,419 |

| | Years Ended April 30, 2016 | Years Ended April 30, 2015 |
|---|---|---|
| | US$ | US$ |
| Revenue | - | - |
| Loss from operations | (221,727) | (409,806) |
| Other expense | (1,440) | (1,440) |
| Net loss | (223,167) | (411,246) |

(Expressed in Canadian Dollars)

**7. Equity Accounted Investees and Related Party Transactions (Cont'd)**

*REGI (Cont'd)*

Effective April 30, 2008, the investment in REGI has been accounted for as investment in associates. The Company's annual and accumulated share of REGI's losses that were not recognized after the investment was written down to zero is as follows:

| | Unrecognized share of loss |
|---|---|
| 2008 | US$ 259,682 |
| 2009 | 159,115 |
| 2010 | 158,645 |
| 2011 | 28,104 |
| 2012 | 45,575 |
| 2013 | 59,471 |
| 2014 | 59,989 |
| 2015 | 41,824 |
| 2016 | 22,696 |
| Accumulated loss | US$ 835,101 |
| Investment in REGI written off at cost in 2008 | CAD$ 215,800 |

*Minewest*

On July 20, 2010 the Company signed an asset transfer agreement with its newly incorporated wholly owned subsidiary Minewest for the purpose of acquiring and exploring mineral properties. In accordance with the agreement the Company transfers its 100% ownership in its undivided 45% interest subject to a 5% net smelter return in 33 mining claims situated in the Tootsee River area in the Province of British Columbia for following consideration:

- Cash payment of $25,000 on or before August 15, 2010 (paid);
- Issuance of 8,000,000 shares of Minewest voting common shares (issued).

Effective December 15, 2010 Minewest signed a purchase agreement with Rapitan Resources Inc. ("Rapitan"), wherein Minewest purchased 100% of Rapitan's 25% interest in the Silverknife property for the following consideration:

- Cash payment of $10,000 (paid);
- Issuance of 2,000,000 shares of common stocks of Minewest (issued).

## 7. Equity Accounted Investees and Related Party Transactions (Cont'd)

*Minewest (Continued)*

Effective November 18, 2011 Reg Tech obtained court approval for the Plan of Arrangement. On December 14, 2011, Reg Tech declared approximately 4,712,263 Minewest shares to be distributed to as dividend to Reg Tech shareholders on the record date of December 21, 2011, whereby one Minewest share is to be distributed for seven Reg Tech shares of holders. As at April 30, 2016, these shares have not been distributed and are recorded at $nil after $471,200 for Minewest shares held by the Company for its shareholders was written off to statement of operation as a result of uncertainty of Minewest's future after being ceased traded since January 8, 2014. The distribution is subject to Minewest being listed on the Canadian Stock Exchange.

As a result of the dividend declaration, Reg Tech retains approximately 3,287,737 shares of Minewest, representing approximately 26.10% of the issued and outstanding common shares of Minewest at April 30, 2016 (2015 – 26.10%), and has its controlling interest reduced to significant influence effective November 18, 2011.

During the year ended April 30, 2015 as a result of uncertainty of Minewest's future after being ceased traded since January 8, 2014, the Company recorded impairment of equity investment in Minewest of $174,968.

As at April 30, 2016 the Company's investment in Minewest was recorded at $Nil (2015 - $Nil) under equity method and held 26.10% ownership in Minewest.

During the year ended April 30, 2014 the Company issued 1,000,000 common shares valued at a fair value of $0.085 per share to settle debt of $120,000 resulting a gain on debt settlement of $35,000.

At April 30, 2016, the Company recorded a balance due to Minewest of $6,253 (2015 - $2,323 prepayment to Minewest by the Company). The amounts owed are unsecured, non-interest bearing and due on demand.

## 7. Equity Accounted Investees and Related Party Transactions (Cont'd)

*Other related parties*

At April 30, 2016, the Company is owed an aggregate of $122,711 (2015 - $26,030) to related parties.

During the year ended April 30, 2016, rent and utility of $13,950 (2015 - $15,034) incurred with a company having common officers and directors.

During the year ended April 30, 2016, total management fees of $22,500 (2015 - $30,000) were accrued or paid to a company having common officers and directors.

During the year ended April 30, 2016, management fees of $5,459 (2015 - $11,315) and director fees of $15,000 (2015 - $31,000) were accrued or paid to officers, directors and companies controlled by officers and directors for services rendered.

All related party transactions are in the normal course of operations and have been measured at the agreed to amounts, which is the amount of consideration established and agreed to by the related parties.

## 8. Commitments

a) In connection with the acquisition of Rand, the Company has the following royalty obligations:

i) A participating royalty is to be paid based on 5% of all net profits from sales, licenses, royalties or income derived from the patented technology, to a maximum amount of $10,000,000. The participating royalty is to be paid in minimum annual instalments of $50,000 per year beginning on the date the first revenues are derived from the license or sale of the patented technology.

ii) Pursuant to a letter of understanding dated December 13, 1993, between the Company and REGI (collectively called the grantors) and West Virginia University Research Corporation ("WVURC"), the grantors have agreed that WVURC shall own 5% of all patented technology and will receive 5% of all net profits from sales, licenses, royalties or income derived from the patented technology.

iii) A 1% net profit royalty will be payable to a former director on all U.S. – based sales.

b) The Company is committed to fund 50% of the further development of the Rand Cam™/Direct Charge Engine Technology, with the remaining 50% funded by REGI.

(Expressed in Canadian Dollars)

## 9. Income Taxes

Income tax expense differs from the amount that would result from applying the combined federal and provincial income tax rate to earnings before income taxes. These differences result from the following items:

| | For the year ended April 30, 2016 | For the year ended April 30, 2015 |
|---|---|---|
| | $ | $ |
| Net loss before income taxes | (1,646,708) | (994,230) |
| Combined federal and provincial income tax rate | 26.00% | 26.00% |
| Expected income tax recovery | (428,144) | (258,500) |
| Increase (decrease) due to: | | |
| Non-deductible expenses | (306,789) | 161,936 |
| Current and prior tax attributes not recognized | 734,933 | 96,564 |
| Income tax expense (recovery) | - | - |

The components of deferred tax assets are as follows:

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| Non-capital and capital losses | 1,771,143 | 1,036,437 |
| Intangible assets and other | 81,662 | 81,434 |
| Equipment | 1,229 | 1,229 |
| | 1,854,034 | 1,119,100 |
| Unrecognized deferred tax assets | (1,854,034) | (1,119,100) |
| Net deferred tax assets | - | - |

The Company has non-capital losses of approximately $4,089,809 that may be available to offset future income for income tax purposes. These losses expire as follows:

| | $ |
|---|---|
| 2026 | 402,253 |
| 2027 | 316,606 |
| 2028 | 432,893 |
| 2029 | 529,882 |
| 2030 | 396,986 |
| 2031 | 412,586 |
| 2032 | 391,751 |
| 2033 | 355,773 |
| 2034 | 280,482 |
| 2035 | 334,766 |
| 2036 | 235,831 |
| | 4,089,809 |

At April 30, 2016, the net amount which would give rise to a deferred income tax asset has not been recognized as it is not probable that such benefit will be utilized in the future years.

## 10. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its technologies and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company is in the development stage, its principal source of funds is from the issuance of common shares.

In the management of capital, the Company includes the share capital as well as cash, receivables, related party receivables and advances to equity accounted investee.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash and short-term investments.

The Company expects its capital resources, which include a share offering and the sale of investee shares and warrants, will be sufficient to carry its research and development plans and operations through its current operating period.

The Company is not subject to externally imposed capital requirements and there were no changes in its approach to capital management during the year ended April 30, 2016.

## 11. Subsequent Event

There has been no significant subsequent event other than normal course of the business operation.

## SCHEDULE "B" – GRAPH FINANCIAL STATEMENTS

Please see attached.

# Graph Blockchain Limited

## Financial Statements

For the Period from the Date of Incorporation (November 22, 2017) to July 31, 2018
(Expressed in Canadian dollars)

**Financial Statements**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## Independent Auditors' Report

To the Shareholders of Graph Blockchain Limited:

We have audited the accompanying financial statements of Graph Blockchain Limited, which comprise the statement of financial position as at July 31, 2018, and the statement of loss and other comprehensive loss, changes in shareholders' equity and cash flows for the period from the date of incorporation (November 22, 2017) to July 31, 2018, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*
Management is responsible for the preparation and fair presentation of these 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.

*Auditors' Responsibility*
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*
In our opinion, the financial statements present fairly, in all material respects, the financial position of Graph Blockchain Limited as at July 31, 2018, and its financial performance and its cash flows for the period from the date of incorporation (November 22, 2017) to July 31, 2018, in accordance with International Financial Reporting Standards.

MNP LLP

Toronto, Ontario
November 5, 2018

Chartered Professional Accountants
Licensed Public Accountants

MNP

# Graph Blockchain Limited

Statement of Financial Position
(Expressed in Canadian dollars)

| | July 31, 2018 $ |
|---|---|
| **Assets** | |
| **Current assets** | |
| Cash and cash equivalents | **2,363,978** |
| Trade and other receivables (note 11) | **179,217** |
| Inventory (note 5) | **534,392** |
| Prepaid expenses and other assets | **231,363** |
| **Total current assets** | **3,308,950** |
| **Property and equipment, net** (note 6) | **24,727** |
| **Total assets** | **3,333,677** |
| **Liabilities and shareholders' equity** | |
| **Current liabilities** | |
| Accounts payable and accrued liabilities | **245,053** |
| Contract liabilities (note 5) | **534,392** |
| | **779,445** |
| **Total liabilities** | **779,445** |
| **Shareholders' equity** | |
| Share capital (note 8) | **6,251,195** |
| Reserves (note 8) | **75,865** |
| Accumulated other comprehensive income | **10** |
| Deficit | **(3,772,838)** |
| **Total shareholders' equity** | **2,554,232** |
| **Total liabilities and shareholders' equity** | **3,333,677** |
| **Commitments** (note 12) | |

Approved and authorized for issue by the Board of Directors on November 5, 2018.

Signed "Andrew Ryu" Director Signed "Jeff Stevens" Director

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

# Graph Blockchain Limited

Statement of Loss and Comprehensive Loss
(Expressed in Canadian dollars, except number of common shares)

| | November 22, 2017 to July 31, 2018 $ |
|---|---|
| **Revenue** | |
| Service revenue (note 5) | **15,000** |
| **Expenses** | |
| Salaries, benefits and management fees (note 10) | **391,496** |
| Office and general (note 10) | **393,288** |
| Other operating expenses (note 10) | **631,496** |
| Depreciation and amortization | **4,328** |
| Share based consulting fees (note 10) | **1,934,912** |
| Share based compensation (notes 8 and 10) | **430,830** |
| | **3,786,350** |
| **Loss before undernoted items** | **(3,771,350)** |
| Finance income | **(485)** |
| Foreign exchange loss | **1,973** |
| **Net loss** | **(3,772,838)** |
| **Weighted average number of common shares** (note 9) | **96,881,395** |
| **Basic and diluted loss per share** (note 9) | **(0.039)** |
| **Other comprehensive income, net of tax** | |
| Foreign exchange translation adjustment | **10** |
| **Comprehensive loss** | **(3,772,828)** |

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

# Graph Blockchain Limited

Statement of Changes in Shareholders' Equity
(Expressed in Canadian dollars, except number of common shares)

| | Common Shares | | | | | |
|---|---|---|---|---|---|---|
| | Number | Amount $ | Reserves $ | Deficit $ | Accumulated other comprehensive income $ | Total $ |
| **Balance – November 22, 2017** | - | - | - | - | - | - |
| Net loss for the period | - | - | - | (3,772,838) | - | (3,772,838) |
| Shares issued to founders in exchange for cash consideration | 24,219,524 | 400,000 | - | - | - | 400,000 |
| Shares issued to founders in exchange for services rendered | 9,990,553 | 165,000 | - | - | - | 165,000 |
| Shares issued under private placement | 42,803,417 | 3,455,376 | - | - | - | 3,455,376 |
| Share issuance costs for private placement | - | (124,146) | - | - | - | (124,146) |
| Broker warrants issued under private placement | - | (75,865) | 75,865 | - | - | - |
| Shares issued in exchange for management consulting fees | 24,219,524 | 2,000,000 | - | - | - | 2,000,000 |
| Share based compensation | 20,283,851 | 430,830 | - | - | - | 430,830 |
| Foreign exchange translation | - | - | - | - | 10 | 10 |
| **Balance – July 31, 2018** | 121,516,869 | 6,251,195 | 75,865 | (3,772,838) | 10 | 2,554,232 |

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

# Graph Blockchain Limited

Statements of Cash Flows
(Expressed in Canadian dollars)

| | November 22, 2017 to July 31, 2018 $ |
|---|---|
| **Cash flows from (used in) operating activities** | |
| Net loss | **(3,772,838)** |
| Adjustments to reconcile net loss to operating cash flow | |
| Depreciation of property and equipment | **4,328** |
| Management consulting fees (notes 8 and 10) | **1,769,912** |
| Shares issued to founders in exchange for services rendered (note 8) | **165,000** |
| Share based compensation (notes 8 and 10) | **430,830** |
| Net change in operating assets and liabilities (note 7) | **65,435** |
| | **(1,337,333)** |
| **Cash flows used in investing activities** | |
| Purchase of property and equipment (note 6) | **(29,114)** |
| **Cash flows from financing activities** | |
| Proceeds from issuance of share capital (note 8) | **3,731,230** |
| **Effect of exchange rate changes on cash and cash equivalents** | **(805)** |
| **Increase (decrease) in cash and cash equivalents** | **2,363,978** |
| **Cash and cash equivalents, beginning of period** | **-** |
| **Cash and cash equivalents, end of period** | **2,363,978** |

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

## 1 Description of business and organization

Graph Blockchain Limited (the "Company" or "Graph") is a privately held company that was founded as a joint venture between Datametrex AI Limited and Bitnine Global Inc. and incorporated in the province of Ontario on November 22, 2017. The Company is domiciled in Canada and the address of its registered office is 2161 Yonge St. Suite 210, Toronto, Ontario, M4S 3A6 Canada.

The Company is a blockchain development company that provides high performance private blockchain solutions that include graphic data analysis and consulting services, implementation of data mining analysis through the use of graph databases and speed enhancements of blockchain control systems for corporations and government agencies.

## 2 Significant accounting policies

### Basis of presentation and statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements were approved and authorized for issuance by the Company's Board of Directors on November 5, 2018. The financial statements are presented in Canadian dollars which is also the Company's functional currency. The Company has one wholly-owned entity, the South Korean branch of Graph Blockchain Limited with a Korean Won functional currency. The accounting policies have been applied consistently in these financial statements, unless otherwise indicated.

### Operating segments

Management has determined that the Company operates in two reportable operating segments based on geographical region. The Company provides blockchain services with a head office located in Canada ("Graph Canada") and a branch located in South Korea ("Graph Korea").

### Revenue from contracts with customers

The Company early adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control over a product or service to a customer.

Nature of goods and services

The following is a description of principal activities – separated by reportable segments – from which the Company generates its revenue. For more detailed information about reportable segments, see note 4.

**a) Graph Canada**

During the period from November 22, 2017 to July 31, 2018, the Graph Canada segment of the Company principally generated revenue from providing blockchain planning and consulting services for a Canadian customer who is in the process of considering the adoption of blockchain technology in their businesses.

| **Products and service** | **Nature, timing of satisfaction of performance obligations and significant payment terms** |
|---|---|
| Development plan and budget for the blockchain platform | The Company recognizes revenue at the point in time when a customer takes control of the project development plan and budget. |

**b) Graph Korea**

During the period from November 22, 2017 to July 31, 2018, the Graph Korea segment of the Company principally developed prototype blockchain solutions for customers based in the Republic of Korea through its distribution partner located in the region.

| **Products and service** | **Nature, timing of satisfaction of performance obligations and significant payment terms** |
|---|---|
| Prototype blockchain solution services | Under the contracts between a distribution partner and a customer, the Company controls the work in progress as the prototypes are being built. Revenue is recognized at the point in time when the customer takes control of the prototype. |

Billings or payments received from customers in advance of revenue recognition are recorded as contract liabilities on the statement of financial position, and costs incurred for developing the prototype are recorded as inventory on the statement of financial position.

<u>Revenue and costs to obtain or fulfil contracts with customers</u>

Revenue is recognized when a customer obtains control of promised goods or services. The Company follows the below criteria when assessing whether control has been obtained by a customer:

(a) The Company has a present right to payment; and
(b) The customer obtains legal title; and
(c) The Company has transferred physical possession of the goods or services; and
(d) The customer has the significant risks and rewards of ownership of the goods or services; and
(e) The customer has accepted the goods or services.

The Company capitalizes the direct costs incurred to develop the prototype, and records them as inventory in the statement of financial position. Direct costs are those costs that the Company incurs to to fulfil the contract that would not have been incurred if the contract had not been obtained.

Expenditures that do not meet the above criteria are expensed when incurred.

The Company carries the inventory at lower of cost and net realizable value on the statement of financial position.

**Financial instruments**

The Company adopted IFRS 9, Financial Instruments ("IFRS 9"). IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The adoption of IFRS 9 did not materially affect the Company's cash flows from operating, investing, or financing activities, its financial position, or its results from operations.

**a) Classification of financial assets**

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on the three categories: amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). Financial liabilities are classified and measured in two categories: amortized cost or FVTPL. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated, but the hybrid financial instrument as a whole is assessed for classification.

The following table summarizes the classification of the financial instruments upon the adoption of IFRS 9:

| | **Classification** |
|---|---|
| Cash and cash equivalents | FVTPL |
| Trade and other receivables | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |

**b) Impairment of financial assets**

IFRS 9 uses a forward-looking "expected credit loss" ("ECL") model to measure the impairment loss of financial assets. The ECL model requires judgement, including consideration of how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model is applied, at each reporting date, to the Company's financial assets measured at amortized cost. Impairment losses are recorded in office and general expenses with the carrying amount of the financial asset reduced through the use of impairment allowance accounts.

**Inventory**

The Company's inventory consists of development costs of software, which are valued at the lower of cost and net realizable value. Any gains or losses on valuation of inventories are included in profit or loss at the time they are determined.

**Critical Accounting Estimates and Judgments**

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions. These estimates and assumptions are based on management's historical experience, best knowledge of current events and conditions and activities that the Company may undertake in the future. Actual results could differ materially from these estimates. Areas requiring estimates and judgements include timing of recognizing revenue and valuation of equity instruments issued under share-based payment arrangements.

Revenue recognition

The Company uses judgment to assess whether contracts contain multiple products and services sold and whether these should be considered distinct and accounted as separate performance obligations or together. Estimates are required when allocating revenue where multiple performance obligations exist in a contract. Judgment is required as to determining when control of the product has been transferred to the customer. The Company currently bases their assessment of the transfer of control on the receipt of inspection certificates from their distributor and with the end customer.

Share-based payment

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

**Estimates**

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the changes affects both.

**Property and equipment**

Property and equipment are carried at cost less accumulated amortization. Assets under capital leases are recorded at the present value of the minimum future lease payments at the time of inception. Gains and losses arising on the disposal of individual assets are recognized in income in the year of disposal. Costs, including financing charges and certain design, construction and installation costs, related to assets that are under construction and are in the process of being readied for their intended use are recorded as construction in progress and are not subject to amortization.

Amortization, which is recorded from the date on which each asset is available for service, is generally provided for on a straight-line basis over the estimated useful lives of the property, plant and equipment as follows:

| | |
|---|---|
| Computer equipment | 2 years |
| Office equipment and furniture | 5 years |

Maintenance and repairs are charged to expense as incurred. Renewals and betterments, which materially prolong the useful lives of the assets, are capitalized. The cost and related accumulated amortization of property retired or sold are removed from the accounts, and gains or losses are recognized in the statement of loss and comprehensive loss.

**Impairment of non-financial assets**

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated using discounted cash flows.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For any other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**Leases**

Leases entered into by the Company in which substantially all of the benefits and risks of ownership are transferred to the Company are recorded as obligations under capital leases and under the corresponding category of property and equipment. Obligations under capital leases reflect the present value of future lease payments, discounted at an appropriate interest rate, and are reduced by rental payments, net of imputed interest. Property and equipment under capital leases are depreciated based on the effective useful lives of the assets. All other leases are classified as operating leases and leasing costs, including any rent holidays, leaseholds incentives, and rent concessions, are amortized on a straight-line basis over the lease term.

**Income taxes**

Income tax expense (benefit) comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, temporary differences related to investments in subsidiaries and associates to the extent that it is probable that they will not reverse in the foreseeable future, and taxable temporary differences arising on the initial recognition of goodwill.

**Share based compensation**

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as share based compensation in the statements of comprehensive loss, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. Share-based payment arrangements granted to non-employees are valued at the fair value of the goods or service received, measured at the date on which the goods are received, or the services are rendered. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure the value and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, which the Company does using the Black-Scholes option-pricing model.

(Expressed in Canadian dollars, except share and unit information)

The increase in equity recognized in connection with a share based payment transaction is presented in the “Reserves" line item on the statements of financial position, as separate component in equity. For share-based payment awards with market conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

## 3 Future accounting pronouncements

The IASB has issued the following applicable standard:

IFRS 16, Leases (“IFRS 16”): In January 2016, the IASB issued IFRS 16 which supersedes IAS 17, Leases. This Standard introduces a single lessee accounting model. The new standard will affect the initial present value of unavoidable future lease payments as lease assets and lease liabilities on the statement of financial position, including for most leases which are currently accounted for as operating leases. The Standard is effective for annual periods beginning on or after January 1, 2019. The Company assessed existing operating leases and determined that the adoption of IFRS 16 would not have a material impact on its financial statements.

## 4 Operating segments

The Company has two geographic segments as defined in note 2 to these financial statements.

Segment information of the Company is summarized as follows:

| | Graph Canada $ | Graph Korea $ | Consolidated totals $ |
|---|---|---|---|
| **For the November 22, 2017 to July 31, 2018** | | | |
| **Revenue** | **15,000** | **-** | **15,000** |
| **Segment loss** | **(3,770,422)** | **(2,416)** | **(3,772,838)** |
| Depreciation and amortization | **3,926** | **402** | **4,328** |
| Finance income | **(485)** | **-** | **(485)** |
| Share based consulting | **1,934,912** | **-** | **1,934,912** |
| Share based compensation | **430,830** | **-** | **430,830** |
| | | | |
| **Segment assets** | **2,724,266** | **609,411** | **3,333,677** |
| Capital expenditure | **25,127** | **3,987** | **29,114** |
| **Segment liabilities** | **167,627** | **611,818** | **779,445** |

## 5 Inventory and contract liabilities

No revenue has been recognized for the prototype blockchain solution services provided in Graph Korea, as the ultimate customer has not taken control of the prototype product as of July 31, 2018. Since the Company’s distributor has made advance payments on behalf of the customer, the consideration net of discounts in the amount of $534,392 was recorded as contract liabilities on the statement of financial position.

Development costs of $571,691 were incurred to fulfil contracts during the period ended July 31, 2018, of which $534,392 were recognized as inventory on the statement of financial position as of July 31, 2018. The development costs represent amounts paid to a related party for outsourced development services (see note 10). The remaining amount of $37,299 was recognized in other operating expenses in relation to revenue earned in the amount of $15,000 during the period. The inventory is presented at lower of cost and net realizable value.

(Expressed in Canadian dollars, except share and unit information)

### 6 Property and equipment

| | Computer equipment $ | Office equipment and furniture $ | Total $ |
|---|---|---|---|
| **Cost** | | | |
| Balance at November 22, 2017 | - | - | - |
| Additions | **26,498** | **2,616** | **29,114** |
| Translation adjustments | **(62)** | **-** | **(62)** |
| **Balance at July 31, 2018** | **26,436** | **2,616** | **29,052** |
| **Accumulated depreciation** | | | |
| Balance at November 22, 2017 | - | - | - |
| Depreciation | **4,154** | **174** | **4,328** |
| Translation adjustments | **(3)** | **-** | **(3)** |
| **Balance at July 31, 2018** | **4,151** | **174** | **4,325** |
| **Carrying amounts** | | | |
| **Balance at November 22, 2017** | - | - | - |
| **Balance at July 31, 2018** | **22,285** | **2,442** | **24,727** |

Depreciation of property and equipment was included in “Depreciation and amortization” on the statement of loss and comprehensive loss.

As at July 31, 2018 and November 22, 2017, no property or equipment was under capital lease.

### 7 Net change in operating assets and liabilities

| | November 22, 2017 to July 31, 2018 $ |
|---|---|
| **Cash flows provided by (used in)** | |
| Trade and other receivables | **50,856** |
| Contract costs | **(534,392)** |
| Prepaid expenses and other assets | **(231,761)** |
| Accounts payable and accrued liabilities | **246,340** |
| Contract liabilities | **534,392** |
| | **65,435** |

Supplemental cash flow information

Non-cash HST receivable of $230,088 on consulting fees was settled by issuance of equity instruments (note 8(a)).

(Expressed in Canadian dollars, except share and unit information)

## 8 Share capital and reserves

### a) Common shares

The Company is authorized to issue an unlimited number of common shares with no par value.

Issuances of common shares are recorded in "Share capital" on the statement of financial position. The effects of a share split effective October 1, 2018 as disclosed in note 15 are reflected below.

The following summarizes transactions involving the common shares of the Company:

| | Number | Amount $ |
|---|---|---|
| Shares issued and outstanding at November 22, 2017 | - | - |
| Shares issued to founding companies in exchange for cash consideration | **24,219,524** | **400,000** |
| Shares issued to founders in exchange for services rendered | **9,990,553** | **165,000** |
| Shares issued from private placements, net of fees | **42,803,417** | **3,255,365** |
| Shares issued in exchange for management consulting fees (note 10) | **24,219,524** | **2,000,000** |
| Share based compensation | **20,283,851** | **430,830** |
| **Shares issued and outstanding at July 31, 2018** | **121,516,869** | **6,251,195** |

On the inception of the Company, 24,219,524 shares were issued to two founding shareholder companies for cash consideration of $400,000. During the period from November 22, 2017 (date of incorporation) to July 31, 2018, 9,990,553 shares were issued to founders for various services rendered. The shares were valued based on recent financing transactions with founders in close proximity to the issuance of the shares for an amount of $165,000, included in "Share based consulting fees" in the statement of loss and comprehensive loss.

On January 10, 2018, the Company completed a non-brokered private placement (the "Private Placement") for aggregate gross proceeds of $3,455,376. Under the Private Placement, the Company issued 41,843,791 shares in accordance with the terms and conditions of the subscription agreement representing a subscription price of $0.083 per share. In connection with the Private Placement, finder's fees were paid to arm's length parties in an amount equal to 8% of the size of the Private Placement. This included cash commissions of $124,146, the grant of 1,665,818 brokers' warrants and the issuance of 959,626 shares. Each whole broker's warrant shall be exercisable for one common share of the Company at a price of $0.083 per broker warrant for a period of 24 months from the closing date. As a result of the Private Placement, the Company received in net proceeds of $3,331,230, of which $3,255,365 has been allocated to "Share capital" for the shares issued and $75,865 has been allocated to "Reserves" for the broker warrants issued on the statement of financial position.

On April 1, 2018, the Company issued 2,421,952 common shares in escrow to an officer of the Company, vesting over eight quarterly instalments with April 1, 2018 as the first vesting date. During the period from November 22, 2017 (date of incorporation) to July 31, 2018, 605,488 common shares have vested, resulting in $105,830 of "Share based compensation" recorded in the statement of loss and comprehensive loss. As the unvested shares are subject to claw-back provisions if performance conditions are not met, the remaining 1,816,464 shares held in escrow are not included in the issued and outstanding shares on the statement of changes in shareholders' equity. In addition, 19,678,363 shares were issued to members of key management and directors for service rendered for an amount of $325,000, valued by comparing to recent cash issuance of shares at the time, and included in "Share based compensation" in the statement of loss and comprehensive loss.

(Expressed in Canadian dollars, except share and unit information)

During the period from November 22, 2017 (date of incorporation) to July 31, 2018, the Company issued 24,219,524 common shares in the amount of $2,000,000 to a shareholder company of the Company in exchange for management consulting fees, resulting in $1,769,912 (net of HST) being recorded in "Share based consulting fees" in the statement of loss and comprehensive loss. The shares issued were valued by comparing to recent cash issuance of the shares at the time.

### b) Warrants

Issuances of warrants are recorded in "Reserves" on the statement of financial position. The following summarizes transactions involving warrants issued by the Company:

| | Number | Weighted average exercise price $ |
|---|---|---|
| Warrants outstanding at November 22, 2017 | - | - |
| Brokers' warrants issued in connection with the Private Placement | 1,665,818 | 0.083 |
| **Warrants outstanding at July 31, 2018** | **1,665,818** | **0.083** |

The Company uses the Black-Scholes Option Pricing Model to value broker warrants issued in connection with private placements. The weighted average assumptions used in the model were as follows:

- Risk-free annual interest rate – 2.05%
- Expected exercise price – $0.083
- Expected life – 2 years
- Annualized volatility – 105%
- Expected dividend yield – 0%

As at July 31, 2018, the outstanding warrants had a remaining useful life of 1.45 years with a reserve balance of $75,865.

## 9 Loss per share

| **For the period from November 22, 2017 to July 31, 2018** | |
|---|---|
| Net loss | $ (3,772,838) |
| Weighted average number of shares outstanding | 96,881,395 |
| Basic and diluted loss per share | $ (0.039) |

Basic loss per share is calculated by dividing the total loss by the weighted average number of shares outstanding during the period. Outstanding warrants as at July 31, 2018 of 1,665,818 have not been factored into the calculation as they are considered anti-dilutive. The effects of a share split effective October 1, 2018 as disclosed in note 15 are reflected below.

The following table presents the maximum number of shares that would be outstanding if all dilutive and potentially dilutive instruments as described in note 8 were exercised or converted as at July 31, 2018:

| | Number |
|---|---|
| Common shares issued and outstanding | 121,516,869 |
| Common shares issued and held in escrow | 1,816,464 |
| Warrants outstanding | 1,665,818 |
| | 124,999,151 |

(Expressed in Canadian dollars, except share and unit information)

## 10 Related party transactions

### a) Office and general

During the period from November 22, 2017 to July 31, 2018, the Company incurred occupancy costs of $20,000 for rent charged by a shareholder company of the Company, and accounting fees of $4,000 charged by a company controlled by a director and officer of the Company, which have been included in “Office and general” in the statement of loss and comprehensive loss.

### b) Share based consulting fees

During the period from November 22, 2017 to July 31, 2018, the Company incurred $1,769,912 of management consulting fees charged by a shareholder company of the Company, in the form of 24,219,524 common shares of the Company, which has been included in “Share based consulting fees” in the statement of loss and comprehensive loss.

### c) Inventory and other operating expenses

During the period from November 22, 2017 to July 31, 2018, the Company paid $571,691 of direct development, prototype consulting and contract fulfillment costs charged by a shareholder company and a parent company of a shareholder company of the Company, of which $534,392 has been included in “Inventory” in the statement of financial position, and $37,299 has been included in “Other operating expenses” in the statement of loss and comprehensive loss.

### d) Compensation of key management personnel

Key management includes members of the Board and executive officers of the Company. Compensation awarded to key management is listed below:

| | November 22, 2017 to July 31, 2018 | |
|---|---|---|
| | Amount $ | Shares awarded |
| Cash based compensation | 174,575 | - |
| Shares issued | 430,830 | 20,283,851 |
| | 605,405 | 20,283,851 |

## 11 Financial instruments and risk management

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company’s objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented below.

### General objectives, policies and processes

Management has overall responsibility for the determination of the Company’s risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company’s finance function.

(Expressed in Canadian dollars, except share and unit information)

The overall objective of management is to set policies that seek to minimize risk as far as possible without unduly affecting the Company's competitiveness and flexibility. The Company has established risk management policies and procedures designed to reduce the potentially adverse effects of price volatility on operating results and distributions. Further details regarding these policies are set out below.

**Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consists primarily of cash and trade and other receivables.

Credit risk associated with cash is minimized by ensuring these financial assets are maintained with financial institutions of reputable credit and may be redeemed upon demand. The Company applies the simplified approach to providing for expected cresit lossed prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade and other receivables. The management measures the expected credit loss based upon historic default rate of customers and estimates the credit loss over the expected life of trade and other receivables. As at July 31, 2018, the impairment allowance relating to trade and other receivables was $nil.

At July 31, 2018, the Company had a short-term loan receivable balance of $29,818 included in "Trade and other receivables" in the statement of financial position. The remainder of the trade and other receivables balance relates primarily to value added tax positions with Provincial and Federal government entities in Canada.

**Liquidity risk**

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they become due. The Company's approach is to ensure it will have sufficient liquidity to meet operations, tax, capital and regulatory requirements and obligations, under both normal and stressed circumstances. Cash flow projections are prepared and reviewed by management to ensure a sufficient continuity of funding exists. The Company's financial liabilities are comprised of its accounts payable and accrued liabilities. The payments for the Company's accounts payable and accrued liabilities are due in less than a year.

The following table sets out the Company's contractual maturities (representing undiscounted contractual cash flows) of financial liabilities and commitments:

| | **12 months** $ | **1 to 2 years** $ | **2 to 5 years** $ | **Total** $ |
|---|---|---|---|---|
| Accounts payable and accruals | 245,053 | - | - | 245,053 |
| Lease commitments | 16,352 | - | - | 16,352 |
| **At July 31, 2018** | 261,405 | - | - | 261,405 |

**Fair values of financial instruments**

IFRS 7 - Financial Instruments: Disclosures requires disclosure of a three-level hierarchy ("FV hierarchy") that reflects the significance of the inputs used in making fair value measurements and disclosures. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include those whose valuations are determined using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are those based on inputs that are unobservable and significant to the overall fair value measurement.

(Expressed in Canadian dollars, except share and unit information)

Cash and cash equivalents, trade and other receivables, and accounts payable and accrued liabilities have relatively short periods to maturity and the carrying values contained in the statement of financial position approximate their estimated fair value.

## 12 Commitments

### Lease commitments

The total minimum annual operating lease payments are as follows:

| | **Amount** **$** |
|---|---|
| 2018 | **11,680** |
| 2019 | **4,672** |
| 2020 and thereafter | **nil** |

## 13 Income taxes

The provision for current income taxes differs from the results that would be obtained by applying Canadian Federal and Provincial (Ontario) statutory income tax rates to profit or loss before income taxes.

This difference results from the following:

| | **November 22, 2017 to July 31, 2018** **$** |
|---|---|
| Loss before income taxes | **(3,772,838)** |
| Statutory income tax rates | **26.50%** |
| Expected current income tax recovery | **(999,802)** |
| Share based compensation and non-deductible expenses | **47,739** |
| Share based consulting fees | **512,752** |
| Share issuance costs booked through equity | **(53,897)** |
| Change in unrecognized deferred income tax assets | **493,208** |
| **Income tax expense (recovery)** | **-** |

(Expressed in Canadian dollars, except share and unit information)

Significant components of the Company's deferred income taxes are as follows:

| | July 31, 2018<br>$ |
|---|---|
| **Deferred tax assets** | |
| Non-capital losses carried forward | 850 |
| **Net deferred tax assets** | **850** |
| **Deferred tax liabilities** | |
| Property and equipment | (850) |
| **Net deferred income taxes** | **-** |

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

| | July 31, 2018<br>$ |
|---|---|
| Share issuance costs - 20(1)(e) | 290,438 |
| Non-capital losses carried forward - Canada | 1,570,729 |
| | 1,861,167 |

The Company has the following estimated Canadian carry-forward non-capital losses and corresponding expiry dates:

| | Amount<br>$ |
|---|---|
| 2038 | 1,573,935 |
| | 1,573,935 |

The potential benefits of these carry-forward non-capital losses and deductible temporary differences have not been recognized in these financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

## 14 Capital management

The Company defines its capital as its shareholders' equity. The Company's objectives when managing capital are to maintain a sufficient capital base in order to meet its short-term obligations and at the same time preserve investors' confidence required to sustain future development of the business. The Company is not exposed to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period from November 22, 2017 to July 31, 2018.

## 15 Subsequent events

**Share split**

On September 4, 2018, a special resolution of the shareholders of Graph was made to subdivide all of the issued and outstanding common shares on the basis of 1.210976238250372 post-subdivision shares for every one pre-subdivision share with an effective split date of October 1, 2018. Any resulting fractional shares shall be either rounded up or down to the nearest whole number.

**Acquisition of Reg Technologies Inc.**

Subsequent to July 31, 2018, the Company entered into a definitive amalgamation agreement (the “Amalgamation Agreement”) to acquire Reg Technologies Inc. (“RegTech”) through a reverse takeover. Pursuant to the terms of the Amalgamation Agreement, RegTech will consolidate its outstanding shares on a ten to one basis, and acquire all of the issued and outstanding shares of Graph pursuant to a three-cornered amalgamation whereby 2659468 Ontario Inc., a wholly-owned subsidiary of RegTech, and Graph will amalgamate (the “Amalgamation”) to form a newly amalgamated company (“Amalco”), and upon the Amalgamation, former shareholders of Graph (“Graph Shareholders”) will receive one new common share of RegTech for each one common share of Graph held and Amalco will become a wholly-owned subsidiary of RegTech (the “RTO Transaction”).

Upon completion of the Amalgamation, RegTech will be the parent and the sole shareholder of Amalco and thus will indirectly carry on the business of Graph. As a result, RegTech intends to change its name to "Graph Blockchain Inc." or such other name as is acceptable to the regulators.

The RTO Transaction is considered to be a reverse takeover by Graph, the accounting acquirer, of RegTech, the accounting acquiree. A reverse takeover transaction involving a non-public operating entity and a non-operating company is considered to be in substance a share based payment transaction and is not a business combination. Any difference in the value of the shares deemed to have been issued by the accounting acquirer and the fair value of the acquiree’s net assets will be expensed in the period of acquisition as a payment for a stock exchange listing.

**Private placement**

In connection with the acquisition of Reg Technologies Inc., the Company completed a non-brokered private placement on November 6, 2018 of 3,354,866 post-subdivision units to raise gross proceeds of $1,006,460 that closed concurrently with the RTO Transaction. Each unit was at a price of $0.30 and consisted of one common share and one warrant of Graph. Each warrant shall be exercisable into one common share of Graph at a price of $0.40 for a period of 18 months from the date of issuance. Certain dealers and arms-length finders were paid 8% of the gross proceeds. Share issuance costs of $33,000 comprised of $13,000 in respect of cash finders’ fees, together with other cash expenses of $20,000, resulting in net proceeds of $973,460. As a result of the private placement, share capital is adjusted by $681,422 to reflect the common shares issued and reserves are adjusted by $292,038 to reflect the warrants issued. The weighted average assumptions used in calculating the fair value of the warrants include, share price –$0.21, expected life – 1.5 years, annualized volatility – 130%, dividend yield – 0%, and risk-free rate – 2.19%.

**Issuance of shares**

Subsequent to July 31, 2018, the Company issued 5,000,000 common shares (post-subdivision) at $0.21 per share to certain employees, officers and directors of Graph and certain employees of a shareholder company who support the Company's sales efforts. The shares were valued based on financing transactions in close proximity to the issuance of the shares.

## SCHEDULE "C" – PRO-FORMA FINANCIAL STATEMENTS

Please see attached.

# Graph Blockchain Inc.
# (Formerly Reg Technologies Inc.)

## Unaudited Pro Forma Consolidated Statement of Financial Position

**(Unaudited – Prepared by Management)**

**July 31, 2018**
(Expressed in Canadian dollars)

## **Graph Blockchain Inc.** (Formerly Reg Technologies Inc.)

Unaudited pro forma consolidated statement of financial position as at July 31, 2018

(Expressed in Canadian dollars, unless otherwise noted)

| | RegTech | Graph | Notes | Pro forma adjustments | Combined |
|---|---|---|---|---|---|
| | $ | $ | | $ | $ |
| **Assets** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | **802** | **2,363,978** | 4, 5 (d,e) | **648,460** | **3,013,240** |
| Trade and other receivables | **4,357** | **179,217** | 4, 5 (c) | **(29,818)** | **153,756** |
| Inventory | **-** | **534,392** | | **-** | **534,392** |
| Prepaid expenses and other assets | **-** | **231,363** | | **-** | **231,363** |
| **Total current assets** | **5,159** | **3,308,950** | | **618,642** | **3,932,751** |
| **Property and equipment, net** | **-** | **24,727** | | **-** | **24,727** |
| **Total assets** | **5,159** | **3,333,677** | | **618,642** | **3,957,478** |
| **Liabilities and shareholders' equity** | | | | | |
| **Current liabilities** | | | | | |
| Accounts payable and accrued liabilities | **358,626** | **245,053** | 4, 5 (b,c) | **(275,206)** | **328,473** |
| Contract liabilities | **-** | **534,392** | | **-** | **534,392** |
| | **358,626** | **779,445** | | **(275,206)** | **862,865** |
| **Total liabilities** | **358,626** | **779,445** | | **(275,206)** | **862,865** |
| **Shareholders' equity** | | | | | |
| Share capital | **13,636,565** | **6,251,195** | 4, 5 (a,b,d,f,g) | **(10,485,398)** | **9,402,362** |
| Reserves | **12,005,421** | **75,865** | 5 (a,d) | **(11,713,383)** | **367,903** |
| Accumulated other comprehensive income | **-** | **10** | | **-** | **10** |
| Deficit | **(25,995,453)** | **(3,772,838)** | 4, 5 (a,b,e,f,g) | **23,092,629** | **(6,675,662)** |
| **Total shareholders' equity** | **(353,467)** | **2,554,232** | | **893,848** | **3,094,613** |
| **Total liabilities and shareholders' equity** | **5,159** | **3,333,677** | | **618,642** | **3,957,478** |

The accompanying notes are an integral part of this pro forma consolidated statement of financial position.

### 1 Basis of presentation

The unaudited pro forma consolidated statement of financial position of Graph Blockchain Inc. (the "**Company**", formerly Reg Technologies Inc. or "**RegTech**") as at July 31, 2018 (the "**Pro Forma Financial Statement**"), has been prepared by management based on historical financial statements prepared in accordance with International Financial Reporting Standards ("**IFRS**"), for illustrative purposes only, after giving effect to the proposed transaction between the Company and Graph Blockchain Limited ("**Graph**") on the basis of the assumptions and adjustments described in notes 2, 3, 4 and 5. The unaudited pro forma consolidated statement of financial position has been derived from:

a) the unaudited statement of financial position of the Company as at July 31, 2018; and

b) the audited statement of financial position of Graph as at July 31, 2018.

It is management's opinion that the unaudited Pro Forma Financial Statement includes all adjustments necessary for the fair presentation, in all material respects, of the transactions described in notes 3 and 4 in accordance with IFRS, applied on a basis consistent with Graph's accounting policies, except as otherwise noted. The unaudited Pro Forma Financial Statement is not necessarily indicative of the financial position that would have resulted if the combination had actually occurred on July 31, 2018.

The unaudited Pro Forma Financial Statement should be read in conjunction with the historical financial statements and notes thereto of the Company and Graph, included elsewhere in this Listing Statement.

### 2 Significant accounting policies

This unaudited Pro Forma Financial Statement has been compiled using the significant accounting policies, as set out in the audited consolidated financial statements of Graph as at and for the year ended July 31, 2018. Management has determined that no material pro forma adjustments are necessary to conform the Company's accounting policies to the accounting policies used by Graph in the preparation of its financial statements.

### 3 The RTO Transaction

Pursuant to the terms of the Amalgamation Agreement, the Company will consolidate its outstanding shares on a ten to one basis, and acquire all of the issued and outstanding shares of Graph pursuant to a three-cornered amalgamation whereby 2659468 Ontario Inc., a wholly-owned subsidiary of RegTech, and Graph will amalgamate (the "**Amalgamation**") to form a newly amalgamated company ("**Amalco**"), and upon the Amalgamation, former shareholders of Graph ("**Graph Shareholders**") will receive one new common share of RegTech for each one common share of Graph held and Amalco will become a wholly-owned subsidiary of RegTech (the "**RTO Transaction**").

On September 4, 2018, in connection with the RTO Transaction, a special resolution of the shareholders of Graph was made to subdivide all of the issued and outstanding common shares on the basis of 1.210976238250372 post-subdivision shares for every one pre-subdivision share. Any resulting fractional shares were either rounded up or down to the nearest whole number.

There are currently 4,954,715 post-consolidation RegTech common shares and 121,516,869 post-subdivision Graph common shares issued and outstanding, as well as 1,816,464 post-subdivision Graph common shares held in escrow and excluded from the number of issued and outstanding shares in accordance with IFRS. On closing, there will be approximately 5,954,715 RegTech and 130,816,145 Graph common shares outstanding. As a result of the RTO Transaction, the Company expects to have approximately 136,770,860 issued and outstanding common shares on an undiluted basis. Approximately 4.4% of those shares will be held by shareholders of RegTech and 95.6% will be held by Graph Shareholders. The shares held by new "principals" of RegTech will be subject to such escrow requirements as may be imposed by the securities regulatory authorities.

(Expressed in Canadian dollars, unless otherwise noted)

Upon completion of the Amalgamation, RegTech will be the parent and the sole shareholder of Amalco and thus will indirectly carry on the business of Graph. As a result, the Company intends to change its name to "Graph Blockchain Inc." or such other name as is acceptable to the regulators. Further, it is proposed that the management and Board of Directors of RegTech be changed to consist of persons that have experience in the new business to be undertaken by the combined company.

In connection with the RTO Transaction, RegTech will be seeking shareholder approval of the RTO Transaction and Graph will be seeking shareholder approval with respect to the Amalgamation. The Transaction has been unanimously approved by the Boards of Directors of Graph and RegTech and both Boards of Directors recommend that their respective shareholders vote in favour of the RTO Transaction and related matters.

The RTO Transaction is subject to a number of conditions, including receipt of shareholder and regulatory approval, including approval of the CSE. The RTO Transaction will be carried out by parties dealing at arm's length to one another and therefore will not be considered to be a non-arm's-length transaction.

## 4 Accounting for the RTO Transaction

The Pro Forma Financial Statement has been accounted for in accordance with IFRS 2, Share Based Payments. The RTO Transaction is considered to be a reverse takeover by Graph, the accounting acquirer, of RegTech, the accounting acquiree. A reverse takeover transaction involving a non-public operating entity and a non-operating company is considered to be in substance a share based payment transaction and is not a business combination. Any difference in the value of the shares deemed to have been issued by the accounting acquirer and the fair value of the acquiree’s net assets should be expensed in the current period as a payment for a stock exchange listing. The pro-forma adjustments and allocations of the purchase price of RegTech by Graph as a reverse takeover are based in part on estimates of the fair value of the assets acquired and liabilities assumed as of the date of completion of the acquisition.

The preliminary allocation of estimated consideration transferred is subject to change and is summarized as follows:

| | Notes | Amount<br>$ |
|---|---|---|
| **Consideration** | | |
| Deemed issuance of 5,954,715 post-subdivision Graph common shares to former RegTech shareholders and debtholders at $0.21 per common share | 3, 5 (b) | **1,250,490** |
| Debt forgiveness for amounts due to Graph from RegTech | 5 (c) | **29,818** |
| Issuance of 641,666 post-subdivision Graph common shares in connection with a finder’s fee on the RTO Transaction at $0.21 per common share | 5 (g) | **134,750** |
| Other reverse-takeover transaction related costs | 5 (f) | **325,000** |
| | | **1,740,058** |
| **Identifiable assets acquired and liabilities assumed** | | |
| Cash | | **802** |
| Trade and other receivables | | **4,357** |
| Accounts payable and accrued liabilities | 5 (b, c) | **(83,420)** |
| | | **(78,261)** |
| **Listing expense** | | **1,818,319** |

The amount of accounts payable and accrued liabilities assumed includes adjustments for the debt-to-equity settlement and debt forgiveness (reduction in the amount of $275,206) as disclosed in notes 5 (b) and (c), and the amount of consideration includes adjustments to the fair value of consideration paid as disclosed in note 5 (b), the debt forgiveness of the amounts due from RegTech as disclosed in note 5 (c), the finder’s fee as disclosed in note 5 (g), and the other reverse-takeover transaction related costs as disclosed in note 5 (f) to this Pro Forma Financial Statement.

## 5 Pro forma assumptions and adjustments

The Pro Forma Financial Statement reflects the following assumptions and adjustments:

### a) Elimination of the Company's historical equity balances

Adjustments to eliminate the Company's historical equity balances included a reduction in share capital in the amount of $13,636,565, a reduction in reserves in the amount of $12,005,421, and an adjustment of $25,995,453 to eliminate the Company's historical deficit, for a net equity elimination of $353,467.

### b) Conversion of amounts due to certain RegTech directors and vendors

Adjustments to decrease the accounts payable and accrued liabilities assumed by $245,388 to reflect their conversion to 1,000,000 common shares of RegTech prior to the closing of the RTO Transaction at $0.21 per common share. The difference between the increase in share capital and decrease in accounts payable and accrued liabilities is recorded in deficit. The increase in the number of RegTech common shares outstanding is reflected in the fair value of consideration paid to former RegTech holders of common shares as disclosed in note 4 to this Pro Forma Financial Statement.

### c) Debt forgiveness of amounts due to Graph from RegTech

Adjustments to decrease accounts receivable by $29,818 with a corresponding decrease of the accounts payable and accrued liabilities assumed by $29,818 to reflect the debt forgiveness of amounts due to Graph from RegTech upon the closing of the RTO Transaction. The amounts will be reclassified to intercompany and eliminated on consolidation. The adjustments are separately reflected in the consideration paid and identifiable liabilities assumed as disclosed in note 4 to this Pro Forma Financial Statement.

### d) Private placement

Adjustments to increase cash by $973,460 to reflect a non-brokered private placement completed on November 6**,** 2018 of 3,354,866 post-subdivision units to raise gross proceeds of $1,006,460. Each unit was at a price of $0.30 and consisted of one common share and one warrant of Graph. Each warrant shall be exercisable into one common share of Graph at a price of $0.40 for a period of 18 months from the date of issuance. Certain dealers and arms-length finders were paid 8% of the gross proceeds. Share issuance costs of $33,000 comprised of $13,000 in respect of cash finders' fees, together with other cash expenses of $20,000, resulting in net proceeds of $973,460. As a result of the private placement, share capital is adjusted by $681,422 to reflect the common shares issued and reserves are adjusted by $292,038 to reflect the warrants issued. The weighted average assumptions used in calculating the fair value of the warrants include, share price –$0.21, expected life – 1.5 years, annualized volatility – 130%, dividend yield – 0%, and risk-free rate – 2.19%.

### e) Other RTO Transaction fees

Adjustments to decrease cash by $325,000 and increase deficit by $325,000 to account for professional, regulatory and other fees with respect to the RTO Transaction, as reflected in note 4 to this Pro Forma Financial Statement.

### f) Other share transactions prior to the closing of the RTO Transaction

Adjustments to increase share capital by $1,084,505 with a corresponding increase to deficit by the same amount to reflect the issuance of 5,000,000 post-subdivision Graph common shares to certain employees, officers and directors of Graph and certain employees of a shareholder company who support the Company's sales efforts at a valuation of $0.21 per common share prior to the closing of the RTO Transaction, as well as recognize the vesting and release from escrow of 302,744 post-subdivision Graph common shares on October 1, 2018 in connection with the share compensation of an officer of Graph.

(Expressed in Canadian dollars, unless otherwise noted)

### g) Finder's fee in connection with the RTO Transaction

Adjustments to increase share capital by $134,750 with a corresponding increase to deficit by the same amount to reflect the issuance of 641,666 post-subdivision Graph common shares to an arm's length party responsible for introducing Graph and RegTech.

## 6 Pro forma share capital

The pro forma share capital is summarized as follows:

| | Number | Amount $ |
|---|---|---|
| RegTech common shares issued and outstanding at July 31, 2018 – pre consolidation | 49,547,090 | 13,636,565 |
| Consolidation of RegTech's common shares at a 10 to 1 ratio | (44,592,375) | - |
| RegTech common shares issued and outstanding at July 31, 2018 – post consolidation | 4,954,715 | 13,636,565 |
| RegTech common shares issued to former RegTech shareholders – note 5 (b) | 1,000,000 | 210,000 |
| **RegTech common shares issued and outstanding prior to RTO** | 5,954,715 | 13,846,565 |
| Graph common shares issued and outstanding at July 31, 2018 – pre subdivision | 100,346,204 | 6,251,195 |
| Subdivision of Graph's common shares at a 1.211 for 1 ratio | 21,170,665 | - |
| **Graph common shares issued and outstanding prior to RTO** | 121,516,869 | 6,251,195 |

| | Number | Amount $ |
|---|---|---|
| RegTech common shares issued and outstanding prior to RTO per above | 5,954,715 | 13,846,565 |
| Graph common shares issued and outstanding prior to RTO per above | 121,516,869 | 6,251,195 |
| Elimination of RegTech's pre-acquisition share capital – note 5 (a) | - | (13,636,565) |
| Deemed issuance of Graph's common shares to former RegTech shareholders | - | 1,040,490 |
| Graph common shares issued in connection with the private placement – note 5 (d) | 3,354,866 | 681,422 |
| Graph common shares issued in connection with the finder's fee – note 5 (g) | 641,666 | 134,750 |
| Graph common shares issued subsequent to July 31, 2018 – note 5 (f) | 5,302,744 | 1,084,505 |
| **Pro Forma Shares issued and outstanding at July 31, 2018** | 136,770,860 | 9,402,362 |

## 7 Pro forma reserves

The pro forma reserves are summarized as follows:

| | Number | Amount $ |
|---|---|---|
| RegTech warrants and options issued and outstanding at July 31, 2018 | - | 12,005,421 |
| Graph warrants issued and outstanding at July 31, 2018 | 1,375,600 | 75,865 |
| Subdivision of Graph's warrants at a 1.211 for 1 ratio | 290,218 | - |
| Elimination of the RegTech's pre-acquisition reserves | - | (12,005,421) |
| Graph warrants issued in connection with the private placement – note 5 (d) | 3,354,866 | 292,038 |
| **Pro Forma Warrants issued and outstanding at July 31, 2018** | 5,020,684 | 367,903 |

## 8 Pro forma income tax rates

The Company expects to have enacted tax rates as follows: 26.50% for its Canadian operations, and 10% to 25% in the Republic of Korea depending on the tax base for the period.