

# **Graph Blockchain Limited**

## **Interim Condensed Financial Statements**

Three and Six Months Ended  
**October 31, 2018**  
(Expressed in Canadian dollars)

### **Financial Statements**

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## **Notice to Reader**

The accompanying unaudited interim condensed financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

# Graph Blockchain Limited

## Interim Condensed Statements of Financial Position

(Expressed in Canadian dollars, unaudited)

	October 31, 2018 \$	April 30, 2018 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,474,841	2,821,279
Trade and other receivables	128,580	153,234
Prepaid expenses and other assets	461,263	330,856
<b>Total current assets</b>	<u>3,064,684</u>	<u>3,305,369</u>
<b>Property and equipment, net</b>	<u>24,673</u>	<u>20,487</u>
<b>Total assets</b>	<u><u>3,089,357</u></u>	<u><u>3,325,856</u></u>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 9)	674,706	87,423
Advances from private placement (note 11)	826,460	-
Contract liabilities (note 5)	-	10,000
	<u>1,501,166</u>	<u>97,423</u>
<b>Total liabilities</b>	<u>1,501,166</u>	<u>97,423</u>
<b>Shareholders' equity</b>		
Share capital (note 7)	7,335,700	5,197,960
Reserves (note 7)	75,865	75,865
Accumulated other comprehensive income	3,104	-
Deficit	<u>(5,826,478)</u>	<u>(2,045,392)</u>
<b>Total shareholders' equity</b>	<u>1,588,191</u>	<u>3,228,433</u>
<b>Total liabilities and shareholders' equity</b>	<u><u>3,089,357</u></u>	<u><u>3,325,856</u></u>

Approved and authorized for issue by the Board of Directors on December 28, 2018.

Signed "Peter Kim" Director      Signed "David Posner" Director

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

# Graph Blockchain Limited

## Interim Condensed Statement of Loss and Comprehensive Loss

(Expressed in Canadian dollars, except number of common shares, unaudited)

	Three months ended October 31, 2018 \$	Six months ended October 31, 2018 \$
<b>Revenue</b>		
Service revenue (note 5)	806,232	821,232
<b>Expenses</b>		
Salaries, benefits and management fees (note 9)	326,589	611,909
Office and general (note 9)	212,837	409,888
Other operating expenses (notes 5 and 9)	1,229,792	1,546,558
Depreciation and amortization	3,710	7,057
Share based consulting fees (notes 7 and 9)	29,400	914,356
Share based compensation (notes 7 and 9)	1,055,105	1,108,340
	<u>2,857,433</u>	<u>4,598,108</u>
<b>Loss before undernoted items</b>	<b>(2,051,201)</b>	<b>(3,776,876)</b>
Finance income	(2,866)	(3,351)
Foreign exchange loss	5,305	7,561
	<u>(2,053,640)</u>	<u>(3,781,086)</u>
<b>Net loss</b>		
	<u>(2,053,640)</u>	<u>(3,781,086)</u>
<b>Weighted average number of common shares</b> (note 8)	<u>123,100,191</u>	<u>120,681,297</u>
<b>Basic and diluted loss per share</b> (note 8)	<u>(0.017)</u>	<u>(0.031)</u>
<b>Other comprehensive income, net of tax</b>		
Foreign exchange translation adjustment	3,094	3,104
<b>Comprehensive loss</b>	<u>(2,050,546)</u>	<u>(3,777,982)</u>

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

# Graph Blockchain Limited

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

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	<u>Common Shares</u>				Accumulated other comprehensive income	Total
	Number	Amount \$	Reserves \$	Deficit \$	\$	\$
<b>Balance – April 30, 2018</b>	<b>109,104,363</b>	<b>5,197,960</b>	<b>75,865</b>	<b>(2,045,392)</b>	-	<b>3,228,433</b>
Net loss for the period	-	-	-	<b>(3,781,086)</b>	-	<b>(3,781,086)</b>
Shares issued in exchange for consulting fees	<b>12,249,762</b>	<b>1,029,400</b>	-	-	-	<b>1,029,400</b>
Share based compensation	<b>5,465,488</b>	<b>1,108,340</b>	-	-	-	<b>1,108,340</b>
Foreign exchange translation	-	-	-	-	<b>3,104</b>	<b>3,104</b>
<b>Balance – October 31, 2018</b>	<b>126,819,613</b>	<b>7,335,700</b>	<b>75,865</b>	<b>(5,826,478)</b>	<b>3,104</b>	<b>1,588,191</b>

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

# Graph Blockchain Limited

## Interim Condensed Statements of Cash Flows

(Expressed in Canadian dollars, unaudited)

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	Six months ended October 31, 2018 \$
<b>Cash flows from (used in) operating activities</b>	
Net loss	(3,781,086)
Adjustments to reconcile net loss to operating cash flow	
Depreciation of property and equipment	7,057
Management consulting fees (notes 7 and 9)	884,956
Other share based consulting (note 7)	29,400
Share based compensation (notes 7 and 9)	1,108,340
Net change in operating assets and liabilities (note 6)	<u>1,416,874</u>
	<u>(334,459)</u>
<b>Cash flows used in investing activities</b>	
Purchase of property and equipment	(11,362)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(617)
<b>Increase (decrease) in cash and cash equivalents</b>	(346,438)
<b>Cash and cash equivalents, beginning of period</b>	<u>2,821,279</u>
<b>Cash and cash equivalents, end of period</b>	<u>2,474,841</u>

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

# Graph Blockchain Limited

## Notes to Interim Condensed Financial Statements

(Expressed in Canadian dollars, except share and unit information, unaudited)

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### 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.

Subsequent to October 31, 2018, the Company entered into a definitive amalgamation agreement (the “Amalgamation Agreement”) to acquire Reg Technologies Inc. (“RegTech”) through a reverse takeover. These interim condensed financial statements do not reflect the reverse takeover transaction. Refer to note 11 for more information.

### 2 Significant accounting policies

#### Basis of presentation and statement of compliance

These unaudited interim condensed financial statements (“interim financial statements”) were prepared using the same accounting policies and methods as those used in the Company’s financial statements for the period from November 22, 2017 (incorporation date) to July 31, 2018 as disclosed in the Listing Statement filed on www.SEDAR.com under “Graph Blockchain Inc.” (the “Listing Statement Financial Statements”). These interim financial statements are in compliance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), have been omitted or condensed.

The preparation of financial statements in accordance with IAS 34 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 have been set out in note 1 to the Company’s Listing Statement Financial Statements. These interim financial statements should be read in conjunction with the Company’s Listing Statement Financial Statements.

The interim financial statements were approved and authorized for issuance by the Company’s Board of Directors on December 28, 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”).

# Graph Blockchain Limited

## Notes to Interim Condensed Financial Statements

(Expressed in Canadian dollars, except share and unit information, unaudited)

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### 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 six months ended October 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 six months ended October 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 interim condensed statements of financial position, and costs incurred for developing the prototype are recorded as inventory on the interim condensed statements of financial position.

#### Revenue and costs to obtain or fulfil contracts with customers

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



# Graph Blockchain Limited

## Notes to Interim Condensed Financial Statements

(Expressed in Canadian dollars, except share and unit information, unaudited)

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- (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 interim condensed statements 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 interim condensed statements 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:

	<b>Classification</b>
Cash and cash equivalents	Amortized cost
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.

# Graph Blockchain Limited

## Notes to Interim Condensed Financial Statements

(Expressed in Canadian dollars, except share and unit information, unaudited)

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### 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 interim condensed statements 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:

	<b>Graph Canada \$</b>	<b>Graph Korea \$</b>	<b>Consolidated totals \$</b>
<b>For the six months ended October 31, 2018</b>			
<b>Revenue</b>	<b>15,000</b>	<b>806,232</b>	<b>821,232</b>
<b>Segment loss</b>	<b>(3,607,704)</b>	<b>(173,382)</b>	<b>(3,781,086)</b>
Depreciation and amortization	<b>5,870</b>	<b>1,187</b>	<b>7,057</b>
Finance income	<b>(3,351)</b>	<b>-</b>	<b>(3,351)</b>
Share based consulting	<b>914,356</b>	<b>-</b>	<b>914,356</b>
Share based compensation	<b>1,108,340</b>	<b>-</b>	<b>1,108,340</b>
<b>Segment assets</b>	<b>3,026,592</b>	<b>62,765</b>	<b>3,089,357</b>
Capital expenditure	<b>3,658</b>	<b>7,704</b>	<b>11,362</b>
<b>Segment liabilities</b>	<b>1,264,339</b>	<b>236,827</b>	<b>1,501,166</b>

### 5 Inventory and contract liabilities

During the six months ended October 31, 2018, revenue has been recognized for the prototype blockchain solution services provided in Graph Korea, as the ultimate customer has taken control of the prototype products as of October 31, 2018.

Development costs of \$844,245 were incurred to fulfil contracts during the six months ended October 31, 2018, which are included in other operating expenses in the interim condensed statement of loss and comprehensive loss. The development costs represent amounts paid to a related party for outsourced development services (see note 9). During the six months ended October 31, 2018, \$23,013 of the costs incurred related to writing down inventory to the lower of cost and net realizable value, as total revenue of \$821,232 was lower than direct development costs which were originally accounted for as inventory.

# Graph Blockchain Limited

## Notes to Interim Condensed Financial Statements

(Expressed in Canadian dollars, except share and unit information, unaudited)

### 6 Net change in operating assets and liabilities

	Six months ended October 31, 2018 \$
<b>Cash flows provided by (used in)</b>	
Trade and other receivables	139,673
Prepaid expenses and other assets	(130,834)
Accounts payable and accrued liabilities	591,575
Advances from private placement	826,460
Contract liabilities	(10,000)
	<u>1,416,874</u>

#### Supplemental cash flow information

Non-cash HST receivable of \$115,044 on consulting fees was settled by issuance of equity instruments (note 7(a)).

### 7 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 interim condensed statements of financial position. The effects of a share split effective October 1, 2018, as disclosed in this note, have been reflected on a retroactive basis.

The following summarizes transactions involving the common shares of the Company:

	Number	Amount \$
Shares issued and outstanding at April 30, 2018	109,104,363	5,197,960
Shares issued in exchange for consulting fees (note 9)	12,249,762	1,029,400
Share based compensation	5,465,488	1,108,340
<b>Shares issued and outstanding at October 31, 2018</b>	<u>126,819,613</u>	<u>7,335,700</u>

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 was either rounded up or down to the nearest whole number.

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 six months ended October 31, 2018, 605,488 common shares have vested, resulting in \$87,740 of “Share based compensation” recorded in the interim condensed statement of loss and comprehensive loss. As the unvested shares are subject to claw-back provisions if performance conditions are not met, the remaining 1,513,720 shares held in escrow are not included in the issued and outstanding shares on the interim condensed statement of changes in shareholders’ equity.

# Graph Blockchain Limited

## Notes to Interim Condensed Financial Statements

(Expressed in Canadian dollars, except share and unit information, unaudited)

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On May 24, 2018, the Company issued 12,109,762 common shares in the amount of \$1,000,000 to a shareholder company of the Company in exchange for management consulting fees, resulting in \$884,956 (net of HST) being recorded in “Share based consulting fees” in the interim condensed statement of loss and comprehensive loss. The shares issued were valued by comparing to recent cash issuance of the shares at the time.

On October 4, 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, resulting in \$1,020,600 of “Share based compensation” and \$29,400 of “Share based consulting” recorded in the interim condensed statement of loss and comprehensive loss. The shares were valued based on financing transactions in close proximity to the issuance of the shares.

### b) Warrants

Issuances of warrants are recorded in “Reserves” on the interim condensed statements of financial position. The following summarizes transactions involving warrants issued by the Company:

	Number	Weighted average exercise price \$
<b>Warrants outstanding at April 30, 2018 and October 31, 2018</b>	<b><u>1,665,818</u></b>	<b><u>0.083</u></b>

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 October 31, 2018, the outstanding warrants had a remaining useful life of 1.19 years with a reserve balance of \$75,865.

### 8 Loss per share

#### For the three months ended October 31, 2018

Net loss	\$ (2,053,640)
Weighted average number of shares outstanding	<u>123,100,191</u>
Basic and diluted loss per share	<u>\$ (0.017)</u>

#### For the six months ended October 31, 2018

Net loss	\$ (3,781,086)
Weighted average number of shares outstanding	<u>120,681,297</u>
Basic and diluted loss per share	<u>\$ (0.031)</u>

# Graph Blockchain Limited

## Notes to Interim Condensed Financial Statements

(Expressed in Canadian dollars, except share and unit information, unaudited)

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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 October 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 7 have been applied on a retroactive basis.

The following table presents the maximum number of shares that would be outstanding if all dilutive and potentially dilutive instruments as described in note 7 were exercised or converted as at October 31, 2018:

	<b>Number</b>
Common shares issued and outstanding	<b>126,819,613</b>
Common shares issued and held in escrow	<b>1,513,720</b>
Warrants outstanding	<b>1,665,818</b>
	<b><u>129,999,151</u></b>

### **9 Related party transactions**

#### **a) Office and general**

During the six months ended October 31, 2018, the Company incurred occupancy costs of \$15,000 (three months ended October 31, 2018 - \$7,500) for rent charged by a shareholder company of the Company, and accounting fees of \$6,000 (three months ended October 31, 2018 - \$3,000) charged by a company controlled by a director and officer of the Company, which have been included in "Office and general" in the interim condensed statement of loss and comprehensive loss.

#### **b) Accounts payable and accrued liabilities**

As at October 31, 2018, an amount of \$nil (April 30, 2018 - \$1,373) included accounts payable and accrued liabilities is due to certain officers and founders of the Company.

#### **c) Share based consulting fees**

During the six months ended October 31, 2018, the Company incurred \$884,956 of management consulting fees charged by a shareholder company of the Company (three months ended October 31, 2018 - \$nil), in the form of 12,109,762 common shares of the Company, which has been included in "Share based consulting fees" in the interim condensed statement of loss and comprehensive loss.

#### **d) Other operating expenses**

During the six months ended October 31, 2018, the Company paid \$844,245 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, which has been included in "Other operating expenses" in the interim condensed statement of loss and comprehensive loss.

# Graph Blockchain Limited

## Notes to Interim Condensed Financial Statements

(Expressed in Canadian dollars, except share and unit information, unaudited)

### e) 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:

	Three months ended October 31, 2018	
	Amount \$	Shares awarded
Cash based compensation	120,000	-
Shares issued	748,505	3,702,744
	<u>868,505</u>	<u>3,702,744</u>

  

	Six months ended October 31, 2018	
	Amount \$	Shares awarded
Cash based compensation	212,500	-
Shares issued	801,740	4,005,488
	<u>1,014,240</u>	<u>4,005,488</u>

### 10 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.

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 interim condensed statements of financial position approximate their estimated fair value.

### 11 Subsequent events

#### Acquisition of Reg Technologies Inc.

Subsequent to October 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 consolidated its outstanding shares on a ten to one basis, and acquired 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 amalgamated (the “Amalgamation”) to form a newly amalgamated company (“Amalco”), and upon the Amalgamation, former shareholders of Graph (“Graph Shareholders”) received one new common share of RegTech for each one common share of Graph held and Amalco became a wholly-owned subsidiary of RegTech (the “RTO Transaction”).

# Graph Blockchain Limited

## Notes to Interim Condensed Financial Statements

(Expressed in Canadian dollars, except share and unit information, unaudited)

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Upon completion of the Amalgamation, RegTech became the parent and the sole shareholder of Amalco and thus indirectly carried on the business of Graph. As a result, RegTech changed its name to "Graph Blockchain Inc."

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%.