

Graph Blockchain Limited

Interim Condensed Financial Statements

For the Three Months Ended July 31, 2018
(Expressed in Canadian dollars)

Financial Statements

Statement of Financial Position	2
Statement of Loss and Comprehensive Loss	3
Statement of Changes in Shareholders' Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6-17

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

Statement of Financial Position

(Expressed in Canadian dollars)

	July 31, 2018 \$	April 30, 2018 \$
Assets		
Current assets		
Cash and cash equivalents	2,363,978	2,821,279
Trade and other receivables (note 11)	179,217	163,517
Inventory (note 5)	534,392	0
Prepaid expenses and other assets	231,363	330,856
Total current assets	3,308,950	3,315,652
Property and equipment, net (note 6)	24,727	20,487
Total assets	3,333,677	3,336,139
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	245,053	176,879
Contract liabilities (note 5)	534,392	10,000
Total liabilities	779,445	186,879
Shareholders' equity		
Share capital (note 8)	6,251,195	5,197,960
Reserves (note 8)	75,865	75,865
Accumulated other comprehensive income	10	-
Deficit	(3,772,838)	(2,124,565)
Total shareholders' equity	2,554,232	3,149,260
Total liabilities and shareholders' equity	3,333,677	3,336,139
Commitments (note 12)		

Approved and authorized for issue by the Board of Directors on March 13, 2019.

Signed "Jeff Stevens" Chief Executive Officer

Signed "David Posner" 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)

	Three months ended July 31, 2018
	\$
Revenue	
Service revenue (note 5)	15,000
Expenses	
Salaries, benefits and management fees (note 10)	285,320
Office and general (note 10)	197,051
Other operating expenses (note 10)	237,593
Depreciation	3,347
Share based consulting fees (note 10)	884,956
Share based compensation (notes 8 and 10)	53,235
	<u>1,661,502</u>
Loss before undernoted items	(1,646,502)
Finance income	(485)
Foreign exchange loss	2,256
	<u>1,648,273</u>
Net loss	(1,648,273)
Weighted average number of common shares (note 9)	118,253,222
Basic and diluted loss per share (note 9)	(0.014)
Other comprehensive income, net of tax	
Foreign exchange translation adjustment	10
Comprehensive loss	(1,648,263)

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)

	<u>Common Shares</u>				Accumulated other comprehensive income \$	Total \$
	Number	Amount \$	Reserves \$	Deficit \$		
Balance – April 30, 2018	109,104,363	5,197,960	75,865	(2,124,565)	-	3,149,260
Net loss for the period	-	-	-	(1,648,273)	-	(1,648,273)
Shares issued to founders in exchange for cash consideration	-	-	-	-	-	-
Shares issued to founders in exchange for services rendered	-	-	-	-	-	-
Shares issued under private placement	-	-	-	-	-	-
Share issuance costs for private placement	-	-	-	-	-	-
Broker warrants issued under private placement	-	-	-	-	-	-
Shares issued in exchange for management consulting fees	12,109,762	1,000,000	-	-	-	1,000,000
Share based compensation	302,744	53,235	-	-	-	53,235
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)

	Three months ended July 31, 2018 \$
Cash flows from (used in) operating activities	
Net loss	(1,648,273)
Adjustments to reconcile net loss to operating cash flow	
Depreciation of property and equipment	3,347
Management consulting fees (notes 8 and 10)	884,956
Shares issued to founders in exchange for services rendered (note 8)	-
Share based compensation (notes 8 and 10)	53,235
Net change in operating assets and liabilities (note 7)	<u>257,885</u>
	<u>(448,850)</u>
Cash flows used in investing activities	
Purchase of property and equipment (note 6)	(7,646)
Cash flows from financing activities	
Proceeds from issuance of share capital (note 8)	-
Effect of exchange rate changes on cash and cash equivalents	(805)
Increase (decrease) in cash and cash equivalents	(457,301)
Cash and cash equivalents, beginning of period	<u>2,821,279</u>
Cash and cash equivalents, end of period	<u>2,363,978</u>

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

Graph Blockchain Limited

Notes to Financial Statements

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

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 unaudited interim condensed financial statements (“interim financial statements”) were prepared using the same accounting policies and methods as those used in the Company’s audited financial statements for the period from November 22, 2017 (incorporation date) to April 30, 2018 (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 March 13, 2019. 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.

Graph Blockchain Limited

Notes to Financial Statements

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

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 three months ended 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 three months ended 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.

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
- (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.

Graph Blockchain Limited

Notes to Financial Statements

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

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.

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.

Graph Blockchain Limited

Notes to Financial Statements

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

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 May 1, 2018 to July 31, 2018			
Revenue	15,000	-	15,000
Segment loss	(1,645,857)	(2,416)	(1,648,273)
Depreciation and amortization	2,945	402	3,347
Finance income	(485)	-	(485)
Share based consulting	884,956	-	884,956
Share based compensation	53,235	-	53,235
Segment assets	2,724,266	609,411	3,333,677
Capital expenditure	3,659	3,987	7,646
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.

Graph Blockchain Limited

Notes to Financial Statements

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

6 Property and equipment

	Computer equipment \$	Office equipment and furniture \$	Total \$
Cost			
Balance at April 30, 2018	19,027	2,441	21,468
Additions	7,471	175	7,646
Translation adjustments	(62)	-	(62)
Balance at July 31, 2018	26,436	2,616	29,052
Accumulated depreciation			
Balance at April 30, 2018	938	43	981
Depreciation	3,216	131	3,347
Translation adjustments	(3)	-	(3)
Balance at July 31, 2018	4,151	174	4,325
Carrying amounts			
Balance at April 30, 2018	18,089	2,398	20,487
Balance at July 31, 2018	22,285	2,442	24,727

Depreciation of property and equipment was included in “Depreciation” on the statement of loss and comprehensive loss.

As at July 31, 2018 and April 30, 2018, no property or equipment was under capital lease.

7 Net change in operating assets and liabilities

	Three months ended July 31, 2018 \$
Cash flows provided by (used in)	
Trade and other receivables	100,218
Contract costs	(534,392)
Prepaid expenses and other assets	99,493
Accounts payable and accrued liabilities	68,174
Contract liabilities	524,392
	257,885
<u>Supplemental cash flow information</u>	

Non-cash HST receivable of \$115,044 on consulting fees was settled by issuance of equity instruments (note 8(a)).

Graph Blockchain Limited

Notes to Financial Statements

(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 April 30, 2018	109,104,363	5,197,960
Shares issued in exchange for management consulting fees (note 10)	12,109,762	1,000,000
Share based compensation	<u>302,744</u>	<u>53,235</u>
Shares issued and outstanding at July 31, 2018	<u>121,516,869</u>	<u>6,251,195</u>

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 three months ended July 31, 2018, 302,744 common shares have vested, resulting in \$53,235 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.

During the three months ended July 31, 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 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 July 31, 2018 and April 30, 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%

Graph Blockchain Limited

Notes to Financial Statements

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

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 three months ended July 21, 2018

Net loss	\$ (1,648,273)
Weighted average number of shares outstanding	<u>118,253,222</u>
Basic and diluted loss per share	<u>\$ (0.014)</u>

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	<u>1,665,818</u>
	<u>124,999,151</u>

10 Related party transactions

a) Office and general

During the three months ended July 31, 2018, the Company incurred occupancy costs of \$7,500 for rent charged by a shareholder company of the Company, and accounting fees of \$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 statement of loss and comprehensive loss.

b) Share based consulting fees

During the three months ended July 31, 2018, the Company incurred \$884,956 of management consulting fees charged by a shareholder company of the Company, in the form of 12,109,762 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 three months ended 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.

Graph Blockchain Limited

Notes to Financial Statements

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

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:

	<u>Three months ended July 31, 2018</u>	
	<u>Amount</u>	<u>Shares</u>
	<u>\$</u>	<u>awarded</u>
Cash based compensation	92,500	-
Shares issued	53,235	302,744
	<u>145,735</u>	<u>302,744</u>

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.

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 credit losses 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.

As 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.

Graph Blockchain Limited

Notes to Financial Statements

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

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	<u>261,405</u>	<u>-</u>	<u>-</u>	<u>261,405</u>

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 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

Graph Blockchain Limited

Notes to Financial Statements

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

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:

	May 1, 2018 to July 31, 2018
	\$
Loss before income taxes	(1,648,273)
Statutory income tax rates	26.50%
Expected current income tax recovery	(436,792)
Share based compensation and non-deductible expenses	29,819
Share based consulting fees	234,514
Share issuance costs booked through equity	20,998
Change in unrecognized deferred income tax assets	<u>193,457</u>
Income tax expense (recovery)	<u>-</u>

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
	\$
Share issuance costs - 20(1)(e)	290,438
Non-capital losses carried forward - Canada	<u>1,570,729</u>
	<u>1,861,167</u>

The Company has the following estimated Canadian carry-forward non-capital losses and corresponding expiry dates:

	Amount
	\$
2038	<u>1,573,935</u>
	<u>1,573,935</u>

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.

Graph Blockchain Limited

Notes to Financial Statements

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

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 May 1, 2018 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

Graph Blockchain Limited

Notes to Financial Statements

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

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.

Graph Korea

Effective January 1, 2019, Graph Korea entered into a new operating lease for a term of 2 years.