

**Graph Blockchain Inc.**  
**(formerly Reg Technologies Inc.)**

**Interim Condensed Financial Statements**  
**For the Three and Six Months Ended October 31, 2019 and 2018**  
**(unaudited)**  
(Expressed in Canadian dollars)

**Interim Condensed Financial Statements**

Interim Condensed Consolidated Statements of Financial Position	2
Interim Condensed Consolidated Statements of Loss and Comprehensive Loss	3
Interim Condensed Consolidated Statements of Changes in Shareholders' Equity	4
Interim Condensed Consolidated Statements of Cash Flows	5
Notes to Interim Condensed Consolidated Financial Statements	6-16

**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 Inc. (formerly Reg Technologies Inc.)

## Interim Condensed Consolidated Statements of Financial Position

(Expressed in Canadian dollars, unaudited)

	October 31, 2019 \$	April 30, 2019 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	67	22,171
Trade and other receivables (note 10)	18,515	156,825
Loan receivables (note 9 and 10)	-	176,324
Prepaid expenses and other assets (note 9)	75,341	306,247
<b>Total current assets</b>	<u>93,923</u>	<u>661,567</u>
<b>Right-of-use asset</b> (note 5)	72,391	-
<b>Property and equipment, net</b> (note 4)	<u>22,825</u>	<u>31,425</u>
<b>Total assets</b>	<u>189,139</u>	<u>692,992</u>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	375,696	499,077
Loan payables (note 9)	289,486	115,200
Current portion of lease liability (note 5)	61,012	-
	<u>726,194</u>	<u>614,277</u>
<b>Lease liability</b> (note 5)	<u>12,277</u>	<u>-</u>
<b>Total liabilities</b>	<u>738,471</u>	<u>614,277</u>
<b>Shareholders' equity</b>		
Share capital (note 7)	9,467,191	9,449,979
Reserves (note 7)	371,133	371,133
Accumulated other comprehensive income	(39)	(84)
Deficit	<u>(10,387,617)</u>	<u>(9,742,313)</u>
<b>Total shareholders' equity</b>	<u>(549,332)</u>	<u>78,715</u>
<b>Total liabilities and shareholders' equity</b>	<u>189,139</u>	<u>692,992</u>
Going concern (note 2)		

Signed "Jeff Stevens" Director

Signed "Alex MacKay" Director

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

# Graph Blockchain Inc. (formerly Reg Technologies Inc.)

## Interim Condensed Consolidated Statement of Loss and Comprehensive Loss

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

	Three months ended October 31, 2019	Three months ended October, 2018	Six months ended October 31, 2019 \$	Six months ended October 31, 2018 \$
<b>Revenue</b>				
Service revenue	-	806,232	-	821,232
<b>Expenses</b>				
Salaries, benefits and management fees (note 9)	(23,166)	326,589	<b>170,261</b>	611,909
Office and general (note 9)	65,325	212,837	<b>190,801</b>	409,888
Other operating expenses (note 9 and 10)	(59,031)	1,229,792	<b>224,744</b>	1,467,385
Depreciation and amortization (note 4)	20,049	3,710	<b>40,408</b>	7,057
Share based consulting fees (notes 7 and 9)	6,285	29,400	<b>17,212</b>	29,400
Share based compensation	-	1,055,105	-	1,108,340
	<u>9,462</u>	<u>2,857,433</u>	<u><b>643,426</b></u>	<u>3,633,979</u>
<b>Loss before undernoted items</b>	(9,462)	(2,051,201)	<b>(643,426)</b>	(2,812,747)
Finance income	1,923	(2,866)	<b>1,834</b>	(3,351)
Foreign exchange loss	44	5,305	<b>44</b>	7,561
Other reverse take-over fees	-	-	-	884,956
	<u>-</u>	<u>-</u>	<u>-</u>	<u>884,956</u>
<b>Net loss</b>	<u>(11,429)</u>	<u>(2,053,640)</u>	<u><b>(645,304)</b></u>	<u>(3,701,913)</u>
<b>Weighted average number of common shares (note 8)</b>	<u>137,778,899</u>	<u>123,100,191</u>	<u><b>137,627,808</b></u>	<u>120,681,297</u>
<b>Basic and diluted loss per share (note 8)</b>	<u><b>(0.0001)</b></u>	<u>(0.017)</u>	<u><b>(0.005)</b></u>	<u>(0.031)</u>
<b>Other comprehensive income, net of tax</b>				
Foreign exchange translation adjustment	(3,163)	3,094	<b>45</b>	3,104
<b>Comprehensive loss</b>	<u>(14,592)</u>	<u>(2,050,546)</u>	<u><b>(645,259)</b></u>	<u>(3,698,809)</u>

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

# Graph Blockchain Inc. (formerly Reg Technologies Inc.)

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

	<u>Common Shares</u>				Accumulated other comprehensive income \$	Total \$
	Number	Amount \$	Reserves \$	Deficit \$		
<b>Balance – April 30, 2019</b>	<b>137,376,349</b>	<b>9,449,979</b>	<b>371,133</b>	<b>(9,742,313)</b>	<b>(84)</b>	<b>78,715</b>
Net loss for the period	-	-	-	(645,304)	-	(645,304)
Share based consulting fees	605,488	17,212	-	-	-	17,212
Foreign exchange translation	-	-	-	-	45	45
<b>Balance – October 31, 2019</b>	<b>137,981,837</b>	<b>9,467,191</b>	<b>371,133</b>	<b>(10,387,617)</b>	<b>(39)</b>	<b>(549,332)</b>

	<u>Common Shares</u>				Accumulated other comprehensive income \$	Total \$
	Number	Amount \$	Reserves \$	Deficit \$		
<b>Balance – April 30, 2018</b>	109,104,363	5,197,960	75,865	(2,124,565)	-	3,149,260
Net loss for the period	-	-	-	(3,701,913)	-	(3,701,913)
Shares based consulting and other reverse take-over fees	12,249,762	1,029,400	-	-	-	1,029,400
Share based compensation	5,465,488	1,108,340	-	-	-	1,108,340
Foreign exchange translation	-	-	-	-	3,104	3,104
<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 financial statements.

# Graph Blockchain Inc. (formerly Reg Technologies Inc.)

## Interim Condensed Consolidated Statements of Cash Flows

(Expressed in Canadian dollars, unaudited)

	Six months ended October 31, 2019 \$	Six months ended October 31, 2018 \$
<b>Cash flows used in operating activities</b>		
Net loss	(645,304)	(3,701,913)
Adjustments to reconcile net loss to operating cash flow		
Depreciation of property and equipment (note 4)	24,868	7,057
Amortization of right-of-use asset	15,540	-
Other reverse take-over fees – share based	-	884,956
Share based consulting fees (note 7 and 9)	17,212	29,400
Share based compensation	-	1,108,340
Shares subscribed in private placements for services to be rendered	62,857	200,000
Loss allowance on loan receivables (note 10)	69,715	-
Accretion on lease liability	1,233	-
Net change in operating assets and liabilities (note6)	171,234	1,137,701
	<u>(282,645)</u>	<u>(334,459)</u>
<b>Cash flows from/(used in) investing activities</b>		
Purchase of property and equipment	(1,460)	(11,362)
Repayments of loan receivables (note 10)	106,609	-
	<u>105,149</u>	<u>(11,362)</u>
<b>Cash flows from financing activities</b>		
Loan Payable (note 9)	90,712	-
Repayment of loan	(7,777)	-
Principal payment of lease liability	(16,229)	-
	<u>66,706</u>	<u>-</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	88,686	(617)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(22,104)</b>	<b>(346,438)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>22,171</b>	<b>2,821,279</b>
<b>Cash and cash equivalents, end of period</b>	<b><u>67</u></b>	<b><u>2,474,841</u></b>

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

# **Graph Blockchain Inc. (formerly Reg Technologies Inc.)**

Notes to Interim Condensed Consolidated Financial statements

For the three and six months ended October 31, 2019 and 2018

(Expressed in Canadian dollars, unaudited)

---

## **1 Description of business and organization**

Graph Blockchain Inc (the “Company”, formerly Reg Technologies Inc. or “RegTech”) is a private blockchain technology company that develops, markets and implements high performance private blockchain database management solutions. The Company’s solution provides for a unique and more streamlined way of filtering through blockchain based data, providing users with querying capabilities, meta data management, and advanced analytics.

The Company is a publicly traded corporation, incorporated in the province of British Columbia, and its head office is located at 30 Woodland Park Rd, Scarborough, Ontario, M1N 2X6 Canada. The Company’s common shares are listed on the Canadian Securities Exchange under the trading symbol “GBLC”. The Company was incorporated under the laws of the Province of British Columbia on October 6, 1982. On November 6, 2018, the Company completed its acquisition of Graph Blockchain Limited (“Graph”) through a reverse takeover, and changed the Company’s name to Graph Blockchain Inc..

## **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 year ended April 30, 2019 (the “2019 Consolidated 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 2 to the Company’s 2019 Consolidated Financial Statements. These interim financial statements should be read in conjunction with the Company’s 2019 Consolidated Financial Statements.

The interim financial statements were approved and authorized for issuance by the Company’s Board of Directors on December 18, 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.

Certain comparatives have been reclassified to conform with current period presentation.

### **Going concern**

These interim condensed financial statements were prepared on a going concern basis under the historical cost basis of accounting. As at October 31, 2019, the Company has a deficit of \$10,387,617 (April 30, 2019 - \$9,742,313). For the three

# **Graph Blockchain Inc. (formerly Reg Technologies Inc.)**

Notes to Interim Condensed Consolidated Financial statements

For the three and six months ended October 31, 2019 and 2018

(Expressed in Canadian dollars, unaudited)

---

and six months ended October 31, 2019, the Company recognized a net loss of \$11,429 and \$645,304 (three and six months ended October 31, 2018 - \$2,053,640 and \$3,701,913) and had net cash outflows from operating activities of \$282,645 (six months ended October 31, 2018 - \$334,459). As at October 31, 2019, the Company has insufficient cash to fund its planned operations for the next twelve months. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon the ability of the Company to generate sufficient revenues and positive cash flows from its operating activities and/or obtain sufficient additional financing to settle its obligations and fund its planned operations. Accordingly, the Company may need further financing in the form of debt, equity or a combination thereof for the next twelve months. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Company may be required to delay or reduce the scope of any or all of its projects.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Should the Company be unable to generate sufficient cash flow from operations or financing activities, the carrying value of the Company's asset could be subject to material adjustments and other adjustments may be necessary to these financial statements should such events impair the Company's ability to continue as a going concern.

## **Basis of consolidation**

The interim condensed consolidated financial statements include the accounts of the Company's wholly owned subsidiary, Graph Blockchain Limited ("Graph"). Any references to Company include references to such subsidiary. Intercompany balances and transactions are eliminated upon consolidation and preparation of these consolidated financial statements, and any unrealized income and expenses arising from intercompany transactions, are eliminated.

## **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").

## **Lease**

Effective May 1, 2019, the Company adopted IFRS 16 – Leases, which supersedes previous accounting standards for leases, including IAS 17 – Leases and IFRIC 4 – Determining whether an arrangement contains a lease. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of a low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The company primarily leases buildings for office use. For all lease contracts entered into, or changed, on or after May 1, 2019, the Company recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentive received. The right-of-use asset is

# **Graph Blockchain Inc. (formerly Reg Technologies Inc.)**

Notes to Interim Condensed Consolidated Financial statements

For the three and six months ended October 31, 2019 and 2018

(Expressed in Canadian dollars, unaudited)

---

subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method.

Where applicable, the Company will elect not to recognize right-of-use and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company will recognize the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## **Transition**

The Company applied IFRS 16 with a date of initial application of May 1, 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

The Company previously classified all its leases for building spaces as operating leases under IAS 17. Upon the adoption of IFRS 16, the following change in accounting policies are made:

The Company has recorded right-of-use asset and lease liability in the interim condensed consolidated statements of financial position for the existing lease at the lease commencement date, which is May 1, 2019 for the purpose of the IFRS 16 adoption. The lease liability is initially measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at May 1, 2019. It is subsequently measured at amortized cost using the effective interest method.

The right-of-use asset is initially measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The right-of-use asset is subsequently depreciated using the straight-line method over the remaining lease terms.

The Company has elected not to recognize right-of-use asset and lease liability for short-term lease in which the lease term ends within 12 months of the date of initial application. The lease payment associated with this lease is recognized as an expense on a straight-line basis over the lease term.

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, there is no impact to total shareholder's equity as at May 1, 2019. Please refer to note 5 of the interim financial statements for impacts for the period ended October 31, 2019.

## **3 Operating segments**

The Company has two geographic segments as defined in note 2 to these interim financial statements.

Segment information of the Company is summarized as follows:



# Graph Blockchain Inc. (formerly Reg Technologies Inc.)

Notes to Interim Condensed Consolidated Financial statements

For the three and six months ended October 31, 2019 and 2018

(Expressed in Canadian dollars, unaudited)

	Graph Canada \$	Graph Korea \$	Consolidated totals \$
<b>For the six months ended October 31, 2019</b>			
<b>Revenue</b>	-	-	-
<b>Segment loss</b>	(456,227)	(189,077)	(645,304)
Depreciation and amortization	5,889	34,519	40,408
Finance income	(4,306)	6,140	1,834
Share based consulting fees	17,212	-	17,212
Impairment of financial assets (included in Other operating expenses)	69,715	-	69,715
<b>Segment assets</b>	46,080	143,059	189,139
Capital expenditure	-	1,460	1,460
<b>Segment liabilities</b>	420,306	318,165	738,471
	Graph Canada \$	Graph Korea \$	Consolidated totals \$
<b>For the six months ended October 31, 2018</b>			
<b>Revenue</b>	15,000	806,232	821,232
<b>Segment loss</b>	(3,528,531)	(173,382)	(3,701,913)
Depreciation and amortization	5,870	1,187	7,057
Finance income	(3,351)	-	(3,351)
Share based consulting fee and Other reverse take-over fees – share based	914,356	-	914,356
Share based compensation	1,108,340	-	1,108,340
<b>Segment assets</b>	3,026,592	62,765	3,089,357
Capital expenditure	3,658	7,704	11,362
<b>Segment liabilities</b>	1,264,339	236,827	1,501,166

## 4 Property and equipment

During the three and six months ended October 31, 2019, the Company had property and equipment additions of \$nil and \$1,460 (three and six months ended October 31, 2018 - \$3,716 and \$11,362).

# Graph Blockchain Inc. (formerly Reg Technologies Inc.)

Notes to Interim Condensed Consolidated Financial statements

For the three and six months ended October 31, 2019 and 2018

(Expressed in Canadian dollars, unaudited)

---

## 5 Lease

The Company's lease is related to the lease of building space. Information about the lease in which the Company is a lessee is presented below:

### Right-of-use assets

	Six months ended October 31, 2019
	\$
<b>Balance at May 1, 2019</b>	<b>\$ 105,898</b>
Additions	-
Depreciation charge for the period	(30,804)
CTA	(2,703)
<b>Balance at October 31, 2019</b>	<b>72,391</b>

### Lease liability

	Six months ended October 31, 2019
	\$
<b>Balance at May 1, 2019</b>	<b>\$ 105,898</b>
Accretion on lease liability	2,257
Lease payments	(32,170)
CTA	(2,696)
<b>Balance at October 31, 2019</b>	<b>73,289</b>

When measuring lease liability, the Company discounted lease payments using its incremental borrowing rate of 5% at January 1, 2019.

Maturity analysis - contractual undiscounted cash flows:

	Less than 1 year \$	1 to 2 years \$	2 to 5 years \$	Total \$
<b>Lease liability</b>	<b>64,800</b>	<b>10,800</b>	-	<b>75,600</b>

# Graph Blockchain Inc. (formerly Reg Technologies Inc.)

Notes to Interim Condensed Consolidated Financial statements

For the three and six months ended October 31, 2019 and 2018

(Expressed in Canadian dollars, unaudited)

## 6 Net change in operating assets and liabilities

	Six months ended October 31, 2019 \$	Six months ended October 31, 2018 \$
<b>Cash flows provided by (used in)</b>		
Trade and other receivables	133,996	139,673
Contract costs	-	-
Prepaid expenses and other assets	166,401	(330,834)
Accounts payable and accrued liabilities	(129,163)	512,402
Advances from private placement	-	826,460
Contract liabilities	-	(10,000)
	<u>171,234</u>	<u>1,137,701</u>

## 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 consolidated statements of financial position.

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

	Number	Amount \$
Shares issued and outstanding at April 30, 2019	137,376,349	9,449,979
Share based consulting fees	605,488	17,212
<b>Shares issued and outstanding at October 31, 2019</b>	<u>137,981,837</u>	<u>9,467,191</u>

On April 1, 2018, the Company issued 2,421,952 common shares in escrow to an officer of the Company at the time, vesting over eight quarterly instalments with April 1, 2018 as the first vesting date. During the six months ended October 31, 2019, the individual is no longer an officer or director of the company, hence the 605,488 common shares vested during the period for an amount of \$17,212 is recorded as “Share based consulting fees” in the interim statement of loss and comprehensive loss (six months ended October 31, 2018 – 605,488 common shares vested for \$87,740, recorded in “Share based compensation”). As the unvested shares are subject to claw-back provisions if performance conditions are not met, the remaining 302,744 shares held in escrow are not included in the issued and outstanding shares on the interim statement of changes in shareholders’ equity (April 30, 2019 – 908,232 shares remaining).

### b) Warrants

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

# Graph Blockchain Inc. (formerly Reg Technologies Inc.)

Notes to Interim Condensed Consolidated Financial statements

For the three and six months ended October 31, 2019 and 2018

(Expressed in Canadian dollars, unaudited)

---

	Number	Weighted average exercise price \$
Warrants outstanding at October 31, 2019 and April 30, 2019	5,020,685	0.295

As at October 31, 2019, the outstanding warrants had a remaining useful life of 0.41 years with a reserve balance of \$371,133 (April 30, 2019 – useful life of 0.91 years with a reserve balance of \$371,133).

## 8 Loss per share

### For the three months ended October 31, 2019

Net loss	(11,429)
Weighted average number of shares outstanding	<u>137,778,899</u>
Basic and diluted loss per share	<u>(0.0001)</u>

### For the six months ended October 31, 2019

Net loss	(645,304)
Weighted average number of shares outstanding	<u>137,627,808</u>
Basic and diluted loss per share	<u>(0.005)</u>

### 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	(3,701,913)
Weighted average number of shares outstanding	<u>120,681,297</u>
Basic and diluted loss per share	<u>(0.031)</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 October 31, 2019 of 5,020,685 have not been factored into the calculation as they are considered anti-dilutive.

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, 2019:

# Graph Blockchain Inc. (formerly Reg Technologies Inc.)

Notes to Interim Condensed Consolidated Financial statements

For the three and six months ended October 31, 2019 and 2018

(Expressed in Canadian dollars, unaudited)

---

	<b>Number</b>
Common shares issued and outstanding	<b>137,981,837</b>
Common shares issued and held in escrow	<b>605,488</b>
Warrants outstanding	<b>5,020,685</b>
	<b><u>143,608,010</u></b>

## **9 Related party transactions**

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

During the period ended October 31, 2019, the Company also incurred marketing related cost of \$6,456 (six months ended October 31, 2018 - \$nil) charged by a company controlled by a director and shareholder of the Company, which has been included in “Office and general” in the interim statement of loss and comprehensive loss.

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

As at October 31, 2019, an amount of \$90 (April 30, 2018 - \$78,723) included in accounts payable and accrued liabilities is due to certain officers and directors of the Company.

### **c) Loan payables**

As of October 31, 2019, the Company has loan advancements due on demand from a shareholder company for a total amount of \$76,984.

As of October 31, 2019, the Company has loan advancements due on demand from the Korea segment of a shareholder company for a total amount of \$212,502 bearing interest at 5.0% per annum.

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

During the six months ended October 31, 2019, the Company incurred management consulting cost of \$70,000 charged by a shareholder company, which has been included in “Other operating expense” in the interim financial statements (six months ended October 31, 2018 - \$884,956 included in “Other reverse take-over fees”).

The Company also incurred \$39,908 during the six months ended October 31, 2019 (six months ended October 31, 2018 - \$nil) for consulting services provided by a director of the Company, which has been included in “Other operating expenses” in the consolidated statement of loss and comprehensive loss.

### **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:

# Graph Blockchain Inc. (formerly Reg Technologies Inc.)

Notes to Interim Condensed Consolidated Financial statements

For the three and six months ended October 31, 2019 and 2018

(Expressed in Canadian dollars, unaudited)

	<b>Three months ended October 31, 2019</b>		<b>Three months ended October 31, 2018</b>	
	<b>Amount \$</b>	<b>Shares awarded</b>	<b>Amount \$</b>	<b>Shares awarded</b>
Cash based compensation	(80,000)	-	120,000	-
Shares-based compensation	-	-	748,505	-
	<b>(80,000)</b>	<b>-</b>	<b>868,505</b>	<b>-</b>

	<b>Six months ended October 31, 2019</b>		<b>Six months ended October 31, 2018</b>	
	<b>Amount \$</b>	<b>Shares awarded</b>	<b>Amount \$</b>	<b>Shares awarded</b>
Cash based compensation	(20,000)	-	212,500	-
Shares-based compensation	-	-	801,740	4,005,488
	<b>(20,000)</b>	<b>-</b>	<b>1,014,240</b>	<b>4,005,488</b>

## 10 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.

As at October 31, 2019, the Company's financial instruments are comprised of cash and cash equivalents, trade and other receivable, loan receivables, accounts payable and accrued liabilities, and loan payables. The amounts reflected in the statement of financial position are carrying amounts and approximate their fair values due to their short-term nature.

### 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.

# Graph Blockchain Inc. (formerly Reg Technologies Inc.)

Notes to Interim Condensed Consolidated Financial statements

For the three and six months ended October 31, 2019 and 2018

(Expressed in Canadian dollars, unaudited)

## Credit risk and economic dependence

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, trade and other receivables, and loan receivables carried at amortized cost.

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 (ECL) prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade and other receivables, while ECL calculation based on stage assessment has been performed for loan receivables. As at October 31, 2019, the impairment allowance relating to trade and other receivables is \$136,279 (April 30, 2019 - \$66,564).

The following table sets out the stage continuity for the allowance for credit losses for loan receivables:

	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Balance at April 30, 2019	176,324	-	-	176,324
Additions of new loan receivables	-	-	-	-
Repayments	(109,907)	-	-	(109,907)
Accretion income	3,298	-	-	3,298
Transfer between stages	(69,715)	-	69,715	-
Loss allowance on loans receivable	-	-	(69,715)	(69,715)
<b>Balance at October 31, 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Balance at April 30, 2019	176,324	-	-	-

On April 3, 2019, the Company issued a loan receivable of \$133,000 as part of a potential future acquisition of Blockchain Innovations Inc (“BCI”), in which the letter of intent is signed on April 3, 2019. The loan is a secured loan issued on April 4, 2019 with a maturity date of July 4, 2019, bearing an interest rate of 10% per annum. In May 2019, the Company has terminated its letter of intent. As of October 31, 2019, the Company concluded the loan is in default and hence recorded an additional expected credit loss of \$69,715 in “Other operating expenses”.

## 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.

# **Graph Blockchain Inc. (formerly Reg Technologies Inc.)**

Notes to Interim Condensed Consolidated Financial statements

For the three and six months ended October 31, 2019 and 2018

(Expressed in Canadian dollars, unaudited)

---

## **11 Subsequent events**

Subsequent to October 31, 2019, the Company signed a Letter of Intent to acquire Shroom Street Limited, a psychedelic focused company that is developing a psychedelic truffle e-commerce market place, psychedelic lifestyle brand, and media company that covers the latest developments in psychedelic science, activism and investing. The purchase price will be \$1,000,000 through the issuance of common shares of the Company at a deemed price of \$0.05 per common share. The proposed acquisition is result of the formal review announced On September 18<sup>th</sup>, 2019 whereby management and the board of directors set out to identify strategic initiatives that could compliment the company's blockchain technology in new verticals that create shareholder value.