

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

**Consolidated Financial Statements**  
**April 30, 2020**  
(Expressed in Canadian dollars)

**Consolidated Financial Statements**

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## Independent Auditor's Report

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To the Shareholders of Graph Blockchain Inc. (formerly Reg Technologies Inc.):

### Opinion

We have audited the consolidated financial statements of Graph Blockchain Inc. (formerly Reg Technologies Inc.) and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at April 30, 2020 and April 30, 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficit and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at April 30, 2020 and April 30, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$758,531 and had net cash outflows from operating activities of \$325,963 for the year ended April 30, 2020, and as of that date, had an accumulated deficit of \$10,500,844. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Murad Bhimani.

Toronto, Ontario  
August 27, 2020

*MNP* LLP

Chartered Professional Accountants  
Licensed Public Accountants

**MNP**

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

## Consolidated Statements of Financial Position

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

	April 30, 2020 \$	April 30, 2019 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	105,252	22,171
Trade and other receivables (note 10)	12,313	156,825
Loan receivables (note 9 and 10)	-	176,324
Prepaid expenses and other assets (notes 3 and 9)	10,800	306,247
<b>Total current assets</b>	<u>128,365</u>	<u>661,567</u>
<b>Property and equipment, net</b> (note 5)	<u>9,469</u>	<u>31,425</u>
<b>Total assets</b>	<u>137,834</u>	<u>692,992</u>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 9)	400,671	499,077
Related party loan payable (note 9)	257,080	115,200
	<u>657,751</u>	<u>614,277</u>
<b>Total liabilities</b>	<u>657,751</u>	<u>614,277</u>
<b>Shareholders' equity</b>		
Share capital (note 7)	9,564,871	9,449,979
Reserves (note 7)	418,926	371,133
Accumulated other comprehensive income	(2,870)	(84)
Deficit	<u>(10,500,844)</u>	<u>(9,742,313)</u>
<b>Total shareholders' (deficit)/equity</b>	<u>(519,917)</u>	<u>78,715</u>
<b>Total liabilities and shareholders' deficit</b>	<u>137,834</u>	<u>692,992</u>
Going concern (note 2)		
Subsequent event (note 14)		

Signed “Paul Haber” Director      Signed “Andrew Ryu” Director

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

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

## Consolidated Statements of Loss and Comprehensive Loss

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

	Year ended April 30, 2020	Year ended April 30, 2019
	\$	\$
<b>Revenue</b>		
Service revenue (note 2)	-	2,191,864
<b>Direct cost</b> (note 9)	-	2,403,085
<b>Gross loss</b>	<u>-</u>	<u>(211,221)</u>
<b>Expenses</b>		
Salaries, benefits and management fees (note 9)	215,984	1,383,132
Office and general (note 9)	240,586	887,677
Other operating expenses (note 9)	251,837	1,276,114
Depreciation and amortization (note 5)	17,524	15,964
Loss on disposal of assets	5,515	-
Share based consulting fees (notes 7 and 9)	19,586	29,400
Share based compensation (notes 7 and 9)	-	1,148,419
	<u>751,032</u>	<u>4,740,706</u>
<b>Loss before undernoted items</b>	(751,032)	(4,951,927)
Management fees (note 9)	-	(69,390)
Finance income	-	(14,300)
Interest and accretion	7,455	-
Foreign exchange loss (gain)	44	7,709
Listing expense (note 3)	-	1,556,110
Other reverse take-over fees (note 3 and 4)	-	1,185,692
	<u>-</u>	<u>1,185,692</u>
<b>Net loss</b>	<u>(758,531)</u>	<u>(7,617,748)</u>
<b>Weighted average number of common shares</b> (note 8)	<u>138,616,198</u>	<u>128,640,939</u>
<b>Basic and diluted loss per share</b> (note 8)	<u>(0.005)</u>	<u>(0.059)</u>
<b>Other comprehensive income, net of tax</b>		
Foreign exchange translation adjustment	(2,786)	(84)
<b>Comprehensive loss</b>	<u>(761,317)</u>	<u>(7,617,832)</u>

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

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

## Consolidated Statements of Changes in Shareholders' Deficit

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

	Common Shares			Reserves \$	Deficit \$	Accumulated other comprehensive income \$	Total \$
	Number	Amount \$	Amount \$				
<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 year	-	-	-	(758,531)	-	(758,531)	
Shares issued under private placement	5,000,000	90,206	-	-	-	90,206	
Advance from private placement	-	5,100	-	-	-	5,100	
Warrants issued under private placement	-	-	47,793	-	-	47,793	
Shares based consulting	908,232	19,586	-	-	-	19,586	
Foreign exchange translation	-	-	-	-	(2,786)	(2,786)	
<b>Balance – April 30, 2020</b>	<b>143,284,581</b>	<b>9,564,871</b>	<b>418,926</b>	<b>(10,500,844)</b>	<b>(2,870)</b>	<b>(519,917)</b>	

	Common Shares			Reserves \$	Deficit \$	Accumulated other comprehensive income \$	Total \$
	Number	Amount \$	Amount \$				
<b>Balance – April 30, 2018</b>	109,104,363	5,197,960	75,865	(2,124,565)	-	3,149,260	
Net loss for the year	-	-	-	(7,617,748)	-	(7,617,748)	
Shares issued under private placement	3,354,867	984,228	-	-	-	984,228	
Shares issued to former RegTech shareholders and debtholders	5,954,715	1,250,490	-	-	-	1,250,490	
Shares based consulting and other reverse take-over fees	12,249,762	1,029,400	-	-	-	1,029,400	
Share based compensation	6,070,976	1,148,419	-	-	-	1,148,419	
Warrants issued	-	(295,268)	295,268	-	-	-	
Shares issued as RTO finder's fee	641,666	134,750	-	-	-	134,750	
Foreign exchange translation	-	-	-	-	(84)	(84)	
<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>	

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

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

## Consolidated Statements of Cash Flows

(Expressed in Canadian dollars, unaudited)

	Year ended April 30, 2020	Year ended April 30, 2019
	\$	\$
<b>Cash flows used in operating activities</b>		
Net loss	(758,531)	(7,617,748)
Adjustments to reconcile net loss to operating cash flow		
Depreciation of property and equipment (note 5)	17,524	15,964
Other reverse take-over fees – share based (notes 7 and 9)	-	884,956
Share based consulting fees (notes 7 and 9)	19,586	29,400
Share based compensation (notes 7 and 9)	-	1,148,419
Shares subscribed in private placements for services to be rendered (notes 3 & 7)	110,135	475,032
Loss on disposal of assets	5,515	-
Loss allowance on loan receivables (note 10)	69,716	66,564
Accretion on loan receivables	(3,299)	(1,888)
Listing expense (note 3)	-	1,556,110
Net change in operating assets and liabilities (note 6)	213,391	131,600
	<u>(325,963)</u>	<u>(3,311,591)</u>
<b>Cash flows used in investing activities</b>		
Purchase of property and equipment (note 5)	(1,509)	(26,902)
Issuance of loan receivables (note 9)	-	(253,000)
Repayments of loan receivables (note 9)	109,907	12,000
Net cash received in reverse takeover (note 3)	-	228
	<u>108,398</u>	<u>(267,674)</u>
<b>Cash flows from financing activities</b>		
Loan payable (note 9)	141,880	115,200
Proceeds from issuance of share warrants (notes 3 & 7)	-	199,718
Proceeds from issuance of share capital (notes 3 & 7)	143,100	466,010
	<u>284,980</u>	<u>780,928</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	15,666	(771)
<b>Increase (decrease) in cash and cash equivalents</b>	83,081	(2,799,108)
<b>Cash and cash equivalents, beginning of year</b>	22,171	2,821,279
<b>Cash and cash equivalents, end of year</b>	<u>105,252</u>	<u>22,171</u>

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

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

Notes to Consolidated Financial statements

For the years ended April 30, 2020 and April 30, 2019

(Expressed in Canadian dollars)

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## **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 has discontinued these operations and is currently pursuing other business opportunities.

The Company is a publicly traded corporation, incorporated in the province of British Columbia, and its head office is located at 4711 Yonge St., Suite 1000, Toronto, Ontario, M2N 6K8 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. Refer to note 3 for more information.

The global outbreak of COVID-19 (“Coronavirus”) has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. This unprecedented pandemic may result in, among other things, increased loan default risk, service delays, personnel shortages, increased government regulations or interventions, and ongoing economic uncertainty, all of which may negatively impact the business, financial condition or results of operations of the Company. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

The Company continues to monitor COVID-19 developments. At year end, the pandemic had no material impact on the Company’s operation as a going concern and day to day operations remain largely unchanged.

## **2. Significant accounting policies**

### **Basis of presentation and statement of compliance**

These consolidated financial statements for the Company as and for the years ended April 30, 2020 and 2019 (“consolidated financial statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”), issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were approved and authorized for issuance by the Company’s Board of Directors on August 27, 2020. These consolidated financial statements are presented in Canadian dollars which is also the Company’s functional currency. The Company has one wholly-owned entity (unincorporated), the South Korean branch of Graph Blockchain Inc. with a Korean Won functional currency. The accounting policies have been applied consistently in these consolidated financial statements, unless otherwise indicated.



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

Notes to Consolidated Financial statements

For the years ended April 30, 2020 and April 30, 2019

(Expressed in Canadian dollars)

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## **2. Significant accounting policies (continued)**

### **Basis of presentation and statement of compliance (continued)**

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to Canadian dollars at the foreign exchange rate applicable as at that date. Realized and unrealized exchange gains and losses are recognized through profit or loss.

The assets and liabilities of foreign operations are translated in Canadian dollars at year-end exchange rates. Income and expenses, and cash flows of foreign operations are translated into Canadian dollars using average exchange rates. Exchange differences resulting from translating foreign operations are recognised in other comprehensive loss and accumulated in equity.

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

### **Going concern**

These consolidated financial statements were prepared on a going concern basis under the historical cost basis of accounting. As at April 30, 2020, the Company has an accumulated deficit of \$10,500,844 (April 30, 2019 - \$9,742,313). For the year ended April 30, 2020, the Company recognized a net loss of \$758,531 (April 30, 2019 - \$7,617,748) and had net cash outflows from operating activities of \$325,963 (April 30, 2019 - \$3,311,591). At April 30, 2020 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. Subsequent to the year end, as outlined in note 14, the Company has raised \$350,000 of gross proceeds from a non-brokered private placement.

These consolidated 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 consolidated financial statements.

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

Notes to Consolidated Financial statements

For the years ended April 30, 2020 and April 30, 2019

(Expressed in Canadian dollars)

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## 2. Significant accounting policies (continued)

### Basis of consolidation

These consolidated financial statements include the accounts of the Company's wholly owned subsidiary, Graph, as defined in note 4 below. 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").

### Revenue from contracts with customers

#### 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 5.

#### a) Graph Canada

During the year ended April 30, 2019, the Graph Canada segment of the Company principally generated revenue from providing blockchain planning and consulting services for a Canadian customer, which is the Company's single performance obligation in the revenue contract. During the year ended April 30, 2020, no revenue was earned from the segment of Graph Canada.

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 and accepts the project development plan and budget, at which point the performance obligation is considered met

#### b) Graph Korea

During the year ended April 30, 2019, the Graph Korea segment of the Company generated revenue from delivering blockchain solutions built for customers based in the Republic of Korea, which is the Company's single performance obligation under the revenue contracts. During the year ended April 30, 2020, Graph Korea had no revenue, and discontinued and closed its operation at the end of April 2020.

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

Notes to Consolidated Financial statements

For the years ended April 30, 2020 and April 30, 2019

(Expressed in Canadian dollars)

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## 2. Significant accounting policies (continued)

### Revenue from contracts with customers (continued)

#### b) Graph Korea (continued)

Products and service	Nature, timing of satisfaction of performance obligations and significant payment terms
Prototype blockchain solution services	Revenue is recognized at the point in time when the customer takes control of and accepts the prototype, at which point the performance obligation is considered met.

Billings or payments received from customers in advance of revenue recognition are recorded as contract liabilities on the consolidated statements of financial position, and costs incurred for developing the prototype are recorded as inventory on the consolidated statements of financial position.

#### Revenue recognition

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.

### Financial instruments

#### a) Classification of financial assets

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 under IFRS 9:

	Classification
Cash and cash equivalents	FVTPL
Trade and other receivables	Amortized cost
Loan receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Related party loan payable	Amortized cost

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

Notes to Consolidated Financial statements

For the years ended April 30, 2020 and April 30, 2019

(Expressed in Canadian dollars)

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## **2. Significant accounting policies (continued)**

### **Financial instruments (continued)**

#### **a) Classification of financial assets (continued)**

On initial recognition, a financial asset is classified as measured at amortized cost, FVTPL, or FVTOCI. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. The Company recognizes trade receivables initially when they are originated. All other financial assets are initially recognized when the Company becomes a party to the contractual provisions of the instrument. All trade receivables without a significant financing component as defined in IFRS 15 are initially measured at their transaction prices as defined in IFRS 15. All other financial assets are initially measured at fair value plus, for items not classified as FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent to initial recognition, FVTPL financial assets are measured at fair value with change in fair value recognized in profit and loss. Financial assets classified as amortized cost are measured at cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit of loss. Any gain or loss on derecognition is recognized in profit or loss.

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. The Company recognizes debt securities it issues when they originate. All other financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income/(loss). At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in the statement of comprehensive loss in the period in which they arise.

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

Notes to Consolidated Financial statements

For the years ended April 30, 2020 and April 30, 2019

(Expressed in Canadian dollars)

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## **2. Significant accounting policies (continued)**

### **Financial instruments (continued)**

#### **b) Impairment of financial assets**

For financial assets carried at amortized cost, the Company recognizes loss allowances for expected credit losses (“ECLs”). ECLs are a probability-weighted estimate of credit losses. The Company applies a three-stage approach to measure ECLs. The Company measures loss allowance at an amount equal to twelve months of expected losses if the credit risk at the reporting date has not increased significantly since initial recognition (Stage 1) and at an amount equal to lifetime expected losses if there is a significant increase in credit risk since origination (Stage 2) and at an amount equal to lifetime expected losses which are credit impaired (Stage 3).

The Company considers a significant increase in credit risk to have occurred if contractual payments are more than 30 days past due and considers the financial assets carried at amortized cost to be in default if they are 90 days past due. A significant increase in credit risk or default may have also occurred if there are other qualitative factors (including forward looking information) to consider; such as borrower specific information (i.e. change in credit assessment). Such factors include consideration relating to whether the counterparty is experiencing significant financial difficulty, there is a breach of contract, concessions are granted to the counterparty that would not normally be granted, or it is probable the counterparty will enter into bankruptcy or a financial reorganization.

Significant increases in credit risk are assessed based on changes in probability of default of a financial asset subsequent to initial recognition. The Company uses past due information to determine whether credit risk has increased significantly since initial recognition. Financial assets are considered to have experienced a significant increase in credit risk and are reclassified to Stage 2 if a contractual payment is more than 30 days past due as at the reporting date.

The Company defines default as the earlier of when a contractual payment is more than 90 days past due or when a loan becomes insolvent as a result of customer bankruptcy. Financial assets that have experienced a default event are considered to be credit impaired and are reclassified as Stage 3 loans.

The Company writes off an impaired financial asset, either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, write-off is after the expected receipts from the realization of collateral.

### **Critical Accounting Estimates and Judgements**

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and judgements that affect the applications of accounting policies regarding certain types of assets, liabilities, revenues, and expenses in the preparation of these consolidated financial statements. Estimates and judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. These estimates and assumptions are based on management’s historical experience, best knowledge of current events and conditions and activities that the Company may undertake in the future. Actual results could differ materially from these estimates.

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

Notes to Consolidated Financial statements

For the years ended April 30, 2020 and April 30, 2019

(Expressed in Canadian dollars)

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## 2. Significant accounting policies (continued)

### Critical Accounting Estimates and Judgements (continued)

#### Judgements

Areas requiring judgements include timing of recognizing revenue, impairment of financial assets and valuation of equity instruments issued under share-based payment arrangements.

#### a) Revenue recognition

The Company uses judgement to assess whether contracts contain multiple products and services sold and whether these should be considered distinct and accounted as separate performance obligations or together. Estimates are required when allocating revenue where multiple performance obligations exist in a contract. Judgment is required as to determining when control of the product has been transferred to the customer.

#### b) Impairment of financial assets

The Company uses judgement to estimate the expected credit losses which is determined based on stage assessment. The ECL model requires judgement including but not limited to consideration of how changes in economic factors affect the ECLs.

#### c) Share-based payment

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

#### Estimates

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the changes affects both.

#### **Provisions**

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

The amount recognized as a provision is the best estimate of the consideration required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

Notes to Consolidated Financial statements

For the years ended April 30, 2020 and April 30, 2019

(Expressed in Canadian dollars)

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## 2. Significant accounting policies (continued)

### Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Assets under capital leases are recorded at the present value of the minimum future lease payments at the time of inception. Gains and losses arising on the disposal of individual assets are recognized in income in the period of disposal. Costs, including financing charges and certain design, construction and installation costs, related to assets that are under construction and are in the process of being readied for their intended use are recorded as construction in progress and are not subject to amortization.

Depreciation, which is recorded from the date on which each asset is available for service, is generally provided for on a straight-line basis over the estimated useful lives of the property and equipment as follows:

Computer equipment	2 years
Office equipment and furniture	5 years

Maintenance and repairs are charged to expense as incurred. Renewals and betterments, which materially prolong the useful lives of the assets, are capitalized. The cost and related accumulated depreciation of property retired or sold are removed from the accounts, and gains or losses are recognized in the statement of loss and comprehensive loss.

### Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated using discounted cash flows.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For any other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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

Notes to Consolidated Financial statements

For the years ended April 30, 2020 and April 30, 2019

(Expressed in Canadian dollars)

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## **2. Significant accounting policies (continued)**

### **Leases**

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 accounted for real estate operating leases with a remaining lease term, as of May 1, 2019, of less than 12 months as short-term leases remaining lease term, as of May 1, 2019, of more than 12 months are included for IFRS 16 adoption purposes.

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 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. There are no dismantling, removal and restoration costs included in the cost of the right-of-use asset as management has not incurred an obligation for those costs.

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.

### **Income taxes**

Income tax expense (benefit) comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, temporary differences related to investments in subsidiaries and associates to the extent that it is probable that they will not reverse in the foreseeable future, and taxable temporary differences arising on the initial recognition of goodwill.



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

Notes to Consolidated Financial statements

For the years ended April 30, 2020 and April 30, 2019

(Expressed in Canadian dollars)

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## **2. Significant accounting policies (continued)**

### **Share based compensation**

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as share-based compensation in the consolidated statements of comprehensive loss, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. Share-based payment arrangements granted to non-employees are valued at the fair value of the goods or service received, measured at the date on which the goods are received, or the services are rendered. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure the value and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, which the Company does using the Black-Scholes option-pricing model.

The increase in equity recognized in connection with a share-based payment transaction is presented in the "Reserves" line item on the consolidated statements of financial position, as separate component in equity. For share-based payment awards with market conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

## **3. Reverse take-over**

On November 6, 2018, the Company completed its acquisition of Graph Blockchain Limited ("Graph") by way of a three-cornered amalgamation among the Company, Graph, and 2659468 Ontario Inc., a wholly-owned subsidiary of the Company, whereby 2659468 Ontario Inc and Graph amalgamated to form a newly amalgamated company ("Amalco"). As a result of the Amalgamation, the holders of common shares of Graph exchanged such common shares for RegTech common shares on a one for one basis, and Amalco became a wholly-owned subsidiary of RegTech.

The shareholders of Graph owned 96% of the common shares of the Company and as a result, the transaction is considered a reverse acquisition of RegTech by Graph. For accounting purposes, Graph is considered the acquirer, and RegTech, the acquiree. Accordingly, the consolidated financial statements are a continuation of the financial statements of Graph which has a financial year end of April 30 and a date of incorporation of November 22, 2017. The results of operations of RegTech are included in the consolidated financial statements of the Company from the date of the reverse acquisition, November 6, 2018.

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

Notes to Consolidated Financial statements

For the years ended April 30, 2020 and April 30, 2019

(Expressed in Canadian dollars)

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### 3. Reverse take-over (continued)

The following summarizes the reverse takeover of RegTech by Graph and the assets acquired and liabilities assumed as at November 6, 2018:

	<b>Amount</b>
	<b>\$</b>
<b>Consideration</b>	
Fair value of consideration paid to former RegTech holders of common shares and debtholders (5,954,715 common shares at \$0.21 per common share)	<b>1,250,490</b>
Debt forgiveness for amounts due to Graph from RegTech	<b>66,746</b>
Finder's Fee (641,666 common shares at \$0.21 per common share)	<b>134,750</b>
	<b><u>1,451,986</u></b>
<b>Identifiable assets acquired and liabilities assumed</b>	
Cash	<b>228</b>
Trade and other receivables	<b>1,847</b>
Accounts payable and accrued liabilities	<b>(106,199)</b>
	<b><u>(104,124)</u></b>
<b>Listing expense</b>	<b><u>1,556,110</u></b>

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 (liabilities) received (assumed), have been included in the listing expense on the consolidated statements of comprehensive loss.

The Company recorded in "Other reverse take-over fees" in the consolidated statement of loss and comprehensive loss, \$1,185,692 of professional, regulatory and other fees with respect to the reverse takeover, including \$884,956 management consulting fees charged by a shareholder company of the Company as disclosed in Note 10(d) of these consolidated financial statements.

In connection with the above transaction, Graph completed a non-brokered private placement on November 6, 2018 of 3,354,867 units to raise gross proceeds of \$1,006,460 that closed concurrently with the above 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 \$22,232 comprised of \$13,000 in respect of cash finders' fees, together with other cash expenses of \$9,232, resulting in net proceeds of \$984,228, of which \$688,960 has been allocated to "share capital" for the shares issued and \$295,268 has been allocated to "Reserve" for the warrants issued on the consolidated statements of financial position (note 8).

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

Notes to Consolidated Financial statements

For the years ended April 30, 2020 and April 30, 2019

(Expressed in Canadian dollars)

### 3. Reverse take-over (continued)

The non-brokered private placement on November 6, 2018 includes cash subscriptions of \$324,020 for 1,080,067 common shares which were issued to certain marketing service providers of the Company. Subsequent to the subscriptions the Company paid \$318,500 to the same service providers for various marketing service agreements entered into, in substance, these transactions have been treated as issuance of shares for services. \$208,365 of the total \$318,500 has been included in “Office and general” in the consolidated statement of loss and comprehensive loss during the year ended April 30, 2019, and as at April 30, 2019, the remaining \$110,135 is included in “Prepaid expense and other assets”. During the year ended April 30, 2020, \$110,135 has been included in “Office and general” in the consolidated statement of loss and comprehensive loss.

### 4. Operating segments

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

Segment information of the Company is summarized as follows:

	Graph Canada \$	Graph Korea \$	Consolidated totals \$
<b>For the year ended April 30, 2020</b>			
Revenue from external customers	-	-	-
Segment loss	(547,719)	(210,812)	(758,531)
Segment assets	127,338	10,496	137,834
Segment liabilities	447,562	210,189	657,751
	Graph Canada \$	Graph Korea \$	Consolidated totals \$
<b>For the year ended April 30, 2019</b>			
Revenue	15,000	2,176,864	2,191,864
Segment loss	(7,049,063)	(568,685)	(7,617,748)
Depreciation and amortization	11,779	4,185	15,964
Finance income	(15,234)	934	(14,300)
Share based consulting	29,400	-	29,400
Share based compensation	1,148,419	-	1,148,419
Management Fee	-	(69,390)	(69,390)
Impairment of financial assets (included in Other operating expenses)	66,564	-	66,564
Listing expense	1,556,110	-	1,556,110
Other reverse take-over fees	1,185,692	-	1,185,692
Segment assets	602,829	90,163	692,992
Capital expenditure	3,659	23,243	26,902
Segment liabilities	435,039	179,238	614,277

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

Notes to Consolidated Financial statements

For the years ended April 30, 2020 and April 30, 2019

(Expressed in Canadian dollars)

## 4. Operating segments (continued)

For the year ended April 30, 2019, the revenue in the amount of \$2,176,864 from the Graph Korea segment is generated from one customer, and represented 99% of the total revenue.

## 5. Property and equipment

	Computer equipment \$	Office equipment and furniture \$	Total \$
<b>Cost</b>			
Balance at April 30, 2018	19,027	2,441	21,468
Additions	26,727	175	26,902
Balance at April 30, 2019	<u>45,754</u>	<u>2,616</u>	<u>48,730</u>
Balance at April 30, 2019	<b>45,754</b>	<b>2,616</b>	<b>48,730</b>
Additions	1,509		1,509
Disposal	(6,876)		(6,876)
CTA	<u>(167)</u>		<u>(167)</u>
<b>Balance at April 30, 2020</b>	<b><u>40,220</u></b>	<b><u>2,616</u></b>	<b><u>42,836</u></b>
<b>Accumulated depreciation</b>			
Balance at April 30, 2018	938	43	981
Depreciation	15,440	524	15,964
Balance at April 30, 2019	<u>16,378</u>	<u>567</u>	<u>16,945</u>
Balance at April 30, 2019	<b>16,378</b>	<b>567</b>	<b>16,945</b>
Depreciation	17,001	523	17,524
Disposal	(1,102)		(1,102)
CTA	20		20
<b>Balance at April 30, 2020</b>	<b><u>32,277</u></b>	<b><u>1,090</u></b>	<b><u>33,367</u></b>
<b>Carrying amounts</b>			
<b>Balance at April 30, 2019</b>	<u>29,376</u>	<u>2,049</u>	<u>31,425</u>
<b>Balance at April 30, 2020</b>	<b><u>7,943</u></b>	<b><u>1,526</u></b>	<b><u>9,469</u></b>

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

Notes to Consolidated Financial statements

For the years ended April 30, 2020 and April 30, 2019

(Expressed in Canadian dollars)

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## 6. Net change in operating assets and liabilities

	Year ended April 30, 2020	Year ended April 30, 2019
	\$	\$
<b>Cash flows provided by (used in)</b>		
Trade and other receivables	131,237	124,610
Prepaid expenses and other assets	184,032	(132,887)
Accounts payable and accrued liabilities	(101,878)	149,877
Contract liabilities	-	(10,000)
	<u>213,391</u>	<u>131,600</u>

### Supplemental cash flow information

For the year ended April 30, 2019, share based payments for consulting fees related to the RTO included a non-cash portion related to HST, which was recorded as HST receivable, amounting to \$115,044. Debt forgiveness of \$66,746 upon reverse take-over (note 4) was included in listing expenses. Included in prepaid expenses, for the year ended April 30, 2020 Nil (April 30, 2019 - \$110,138) relating to shares deemed issued for services (notes 3 & 7).

## 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 effects of a share split effective October 1, 2018, as disclosed in this note, have been reflected on a retroactive basis.

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

Notes to Consolidated Financial statements

For the years ended April 30, 2020 and April 30, 2019

(Expressed in Canadian dollars)

## 7. Share capital and reserves (continued)

### a) Common shares (continued)

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 10)	12,249,762	1,029,400
Share based compensation	6,070,976	1,148,419
Shares issued to RegTech's shareholders and debtholders (note 4)	5,954,715	1,250,490
Shares issued as finder's fee (note 4)	641,666	134,750
Shares issued from private placements, net of fees (note 4)	3,354,867	688,960
<b>Shares issued and outstanding at April 30, 2019</b>	<b>137,376,349</b>	<b>9,449,979</b>
	Number	Amount
		\$
Shares issued and outstanding at April 30, 2019	137,376,349	9,449,979
Shares issued in exchange for consulting fees (note 10)	908,232	19,586
Shares issued from private placements, net of fees	5,000,000	90,206
Advance from private placement for which shares are yet to be issued		5,100
<b>Shares issued and outstanding at April 30, 2020</b>	<b>143,284,581</b>	<b>9,564,871</b>

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). The management consulting services provided is related to the reverse take-over, and is recorded in "Other reverse take-over fees" in the consolidated statement of loss and comprehensive loss. The shares issued were valued by comparing to recent cash issuance of the shares to arm's length parties at the time.

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. The result of subdivision has been applied retrospectively in the consolidated financial statements.

On October 4, 2018, the Company issued 5,000,000 common shares 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 (4,860,000 common shares) of "Share based compensation" and \$29,400 (140,000 common shares) of "Share based consulting" recorded in the consolidated statement of loss and comprehensive loss. The shares were valued based on financing transactions in close proximity to the issuance of the shares to arm's length parties.

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

Notes to Consolidated Financial statements

For the years ended April 30, 2020 and April 30, 2019

(Expressed in Canadian dollars)

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## 7. Share capital and reserves (continued)

### a) Common shares (continued)

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 year ended April 30, 2020, 908,232 common shares have vested, resulting in \$ 19,586 “Share based consulting fees” recorded in the consolidated statement of loss and comprehensive loss for the year ended April 30, 2020 (April 30, 2019 – 1,210,976 common shares vested for \$127,819 of “Share based compensation”). As the unvested shares are subject to claw-back provisions if performance conditions are not met, the remaining nil shares held in escrow are not included in the issued and outstanding shares on the consolidated statement of changes in shareholders’ equity as at April 30, 2020. (April 30, 2019 – 908,232 shares remaining).

On March 9, 2020, the Company completed non-brokered private placement of 5,000,000 units to raise gross proceeds of \$150,000. Each unit was priced at a price of \$0.03 and consisted of one common shares and one-half warrant of the Company. Each warrant shall be exercisable into one common share of the Company at a price of \$0.06 for a period of two years from the date of issuance and includes a warrant acceleration clause at a share price of \$0.10 or greater under certain market conditions. Arms-length finder was paid 8% of the gross proceeds and received 400,000 non-transferable warrants on the same terms and conditions governing those warrants issued under the private placement. Share issuance costs, including cash expenses, amounted to \$12,000, resulting in net proceeds of \$138,000, of which \$90,206 has been allocated to “Share capital” for the shares issued, based on residual value of financing after amount allocated to common shares based its fair value, fair value of common shares as of the date of closing and \$47,793 has been allocated to “Reserves” for the warrants issued on the consolidated statement of financial position. Total costs incurred were allocated between shares and reserves based on the proportionate fair value allocation.

### 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:

	Number	Weighted average exercise price \$
Warrants outstanding at April 30, 2018	1,665,818	0.083
Warrants issued in connection with private placements (note 4)	3,354,867	0.400
<b>Warrants outstanding at April 30, 2019</b>	<b>5,020,685</b>	<b>0.295</b>

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

Notes to Consolidated Financial statements

For the years ended April 30, 2020 and April 30, 2019

(Expressed in Canadian dollars)

## 7. Share capital and reserves (continued)

### b) Warrants (continued)

	Number	Weighted average exercise price \$
Warrants outstanding at April 30, 2019	5,020,685	0.295
Warrants expired	(1,665,818)	0.083
Warrants issued in connection with private placements (note 8(a))	2,900,000	0.06
<b>Warrants outstanding at April 30, 2020</b>	<b>6,254,867</b>	<b>0.242</b>

The Company uses the Black-Scholes Option Pricing Model to value warrants issued in connection with private placements on November 6, 2018. The weighted average assumptions used in the model include: (i) risk-free annual interest rate – 2.19%; (ii) expected exercise price – \$0.40; (iii) expected life – 1.5 years; (iv) annualized volatility – 133%; and (v) expected dividend yield – 0%.

The Company used the residual method to value non-broker warrants issued in connection with private placement completed on March 9, 2020, with the amount of consideration received in excess, if any, of the fair value of the shares issued being recognized in contributed surplus. Difference between the combined unit price at the time of each placement and the market price of the shares at that time is allocated to reserves.

For brokers' warrants issued in connection with the private placement completed on March 9, 2020, the value was calculated using the Black-Scholes pricing model with the following assumptions: (i) risk-free annual interest rate – 0.53%; (ii) expected exercise price – \$0.06; (iii) expected life – 2 years; (iv) annualized volatility – 279%; and (v) expected dividend yield – 0%.

As at April 30, 2020, the outstanding warrants had a remaining useful life of 0.87 years with a reserve balance of \$418,926 (April 30, 2019 – 0.91 years with a reserve balance of \$371,133).

## 8. Loss per share

### For the year ended April 30, 2020

Net loss	\$ (758,531)
Weighted average number of shares outstanding	<u>138,616,198</u>
Basic and diluted loss per share	<u>\$ (0.005)</u>

### For the year ended April 30, 2019

Net loss	\$ (7,617,748)
Weighted average number of shares outstanding	<u>128,640,939</u>
Basic and diluted loss per share	<u>\$ (0.059)</u>



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

Notes to Consolidated Financial statements

For the years ended April 30, 2020 and April 30, 2019

(Expressed in Canadian dollars)

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## 8. Loss per share (continued)

Basic loss per share is calculated by dividing the total loss by the weighted average number of shares outstanding during the year. Outstanding warrants as at April 30, 2020 of 6,254,867 (year ended April 30, 2019 of 5,020,685) 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 8 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 8 were exercised or converted as at April 30, 2020:

	<b>Number</b>
Common shares issued and outstanding	<b>143,284,581</b>
Warrants outstanding	<b>6,254,867</b>
	<b><u>149,539,448</u></b>

## 9. Related party transactions

### a) Office and general

During the year ended April 30, 2020, the Company incurred occupancy costs of \$nil (year ended April 30, 2019 - \$18,550) for rent charged by a shareholder company of the Company, and accounting fees of \$nil (year ended April 30, 2019 - \$7,000) charged by a company controlled by a director and officer of the Company, which have been included in "Office and general" in the consolidated statement of loss and comprehensive loss.

The Company entered into an 8 month management consulting agreement, which outsources the administrative and financial operations of the Company, with a shareholder company of the Company commencing November 1, 2018. The Company incurred \$85,000 in consulting fees during the year ended April 30, 2020 (year ended April 30, 2019 - \$210,000).

During the year ended April 30, 2020, the Company also incurred marketing related cost of \$23,819 (year ended April 30, 2019 - \$28,847) charged by companies controlled by directors included in the consolidated statement of loss and comprehensive loss.

### b) Accounts payable and accrued liabilities

As at April 30, 2020, an amount of \$21,377 (April 30, 2019 - \$78,723) included accounts payable and accrued liabilities is due to certain officers and a shareholder company of the Company.

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

Notes to Consolidated Financial statements

For the years ended April 30, 2020 and April 30, 2019

(Expressed in Canadian dollars)

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## **9. Related party transactions (continued)**

### **c) Loans payable**

As at April 30, 2020, the Company has loan advancements from a shareholder company for a total amount of \$65,700 (April 30, 2019- \$108,904 receivable). The Company was repaid the prior year amount and an additional amount was advanced to the Company, resulting in a loan payable year end April 30, 2020. This loan is unsecured, non-interest bearing and repayable on demand. Loan repayments were made for \$109,907, thereafter advances were made for \$65,700.

As at April 30, 2020, the Company has loan advancements due on demand from the Korea segment of a shareholder company for a total amount of \$191,380 (April 30, 2019- \$115,200) bearing interest at 5.0% per annum and unsecured. Interest accrued at year end \$5,313 and is included in accounts payable and accrued liabilities. Loan advances were made during the year for \$76,180.

### **d) Share based other reverse take-over fee**

During the year ended April 30, 2020 \$nil share-based expenses were incurred. During the year ended April 30, 2019, 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. The management consulting services provided in the year ended April 30, 2019 is related to the reverse take-over, hence is included in "Other reverse take-over fees" in the consolidated statement of loss and comprehensive loss during the year ended April 30, 2019.

### **e) Direct cost and Other operating expenses**

During the year ended April 30, 2020, the Company paid \$nil (April 30, 2019 - \$2,403,085) 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 "Direct Cost" in the consolidated statement of loss and comprehensive loss.

During the year ended April 30, 2020, the Company also incurred \$nil (April 30, 2019 - \$79,589) 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.

### **f) Private placements**

During the year ended April 30, 2020 there were no private placements related to directors. A director of the Company participated in the November 2018 private placement, as disclosed in note 4, and subscribed to an aggregate of 166,667 units for proceeds of \$50,000 shortly followed up with a consulting agreement with the Company owned by the director for the corresponding amount, in substance treated as shares issued for services.

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

Notes to Consolidated Financial statements

For the years ended April 30, 2020 and April 30, 2019

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## 9. Related party transactions (continued)

### g) Management fees

During the year ended April 30, 2020, Graph Korea charged a shareholder company of the Company a management fee in the amount of \$ nil for management services provided (April 30, 2019 - \$69,390).

### h) 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:

	Year ended April 30, 2020	
	Amount \$	Shares awarded
Cash based salaries, benefits and severances	15,000	-
Share-based compensation	-	-
	<u>15,000</u>	<u>-</u>

  

	Year ended April 30, 2019	
	Amount \$	Shares awarded
Cash based salaries, benefits and severances	466,250	-
Share-based compensation	841,819	4,610,976
	<u>1,308,069</u>	<u>4,610,976</u>

## 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 April 30, 2020, the Company's financial instruments are comprised of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities, and related party 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.

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

Notes to Consolidated Financial statements

For the years ended April 30, 2020 and April 30, 2019

(Expressed in Canadian dollars)

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## 10. Financial instruments and risk management (continued)

### 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 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 April 30, 2020, the impairment allowance relating to trade and other receivables is \$nil (April 30, 2019 - \$1,847).

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 May 1, 2019	176,324	-	-	176,324
Additions of new loan receivables	-	-	-	-
Repayments	(109,907)	-	-	(109,907)
Accretion income	1,003	-	2,296	3,299
Transfer between stages	(67,420)	-	67,420	-
Loss allowance on loans receivable	-	-	(69,716)	(69,716)
<b>Balance at April 30, 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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For the years ended April 30, 2020 and April 30, 2019

(Expressed in Canadian dollars)

## 10. Financial instruments and risk management (continued)

The following continuity schedule summarizes the 2020 and 2019 allowance for ECL of loans receivable:

	Due from Related party		Loans receivable		Total	
	2020	2019	2020	2019	2020	2019
Balance at May 1	108,904	-	67,420	-	176,324	-
Repayments	(109,907)	-	-	-	(109,907)	-
Accretion income	1,003	904	2,296	984	3,299	1,888
Advances	-	108,000	-	133,000	-	241,000
ECL Allowance	-	-	(69,716)	(66,564)	(69,716)	(66,564)
<b>Balance at April 30</b>	<b>-</b>	<b>108,904</b>	<b>-</b>	<b>67,420</b>	<b>-</b>	<b>176,324</b>

The loss allowance of \$69,716 is recorded in “Other operating expenses, and is related to the loan receivable of \$133,000 issued by the company 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. As at the date of these consolidated financial statements, the loan is in default and management has assessed there is deterioration of the credit risk on the loan receivable.

### 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, debt, and contingent consideration. 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 under operating leases of office premise:

	12 months	1 to 2 years	2 to 5 years	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	400,671	-	-	375,246
Related party loan payable	257,080	-	-	257,080
<b>At April 30, 2020</b>	<b>657,751</b>	<b>-</b>	<b>-</b>	<b>657,751</b>

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

Notes to Consolidated Financial statements

For the years ended April 30, 2020 and April 30, 2019

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## 10. Financial instruments and risk management (continued)

### 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.

## 11. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2019 - 26.5%) to the effective tax rate is as follows:

	Year ended April 30, 2020	Year ended April 30, 2019
	\$	\$
Net Loss before recovery of income taxes	(758,531)	(7,617,748)
Expected income tax (recovery) expense	(201,011)	(2,018,703)
Share based compensation and non-deductible expenses	16,225	982,969
Share issuance cost booked through equity and other	(3,293)	(5,892)
Change in unrecognized deferred income tax assets	188,079	1,041,626
<b>Income tax expense (recovery)</b>	<b>-</b>	<b>-</b>

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:

	April 30, 2020	April 30, 2019
	\$	\$
Property, plant and equipment	17,931	1,398
Share issuance costs - 20(1)(e)	290,494	375,250
Non-capital losses carried forward - Canada	5,394,963	4,651,870
Reserves	68,139	33,282
	<b>5,771,527</b>	<b>5,061,800</b>

Share issue and financing costs will be fully amortized in 2024.

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(Expressed in Canadian dollars)

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## 11. Income taxes (continued)

The Company's Canadian non-capital income tax losses expire as follows:

	<b>Amount</b> <b>\$</b>
2018	<b>945,458</b>
2019	<b>3,706,411</b>
2020	<b>743,094</b>
	<b><u>5,394,963</u></b>

## 12. Capital management

The Company defines its capital as its shareholders' deficit in the amount of (\$519,917). 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 for year ended April 30, 2019, and the year ended April 30, 2020.

## 13. Commitments

In March, 2020, the Company entered into a service agreement with a financial advisor. According to the agreement, the Company has obligation to grant the advisor share options to purchase Common shares in the Company which will equal 2.5% of the total fully diluted shares. The Options will be granted once the Option Plan is in place and approved at the Company's upcoming AGM and is subject to approval from the regulatory (such as Canadian Securities Exchange) bodies. The Company entered into a twelve-month agreement included in the service agreement with the financial advisor. The payment shall be comprised of \$15,000 monthly payments made in stock that will be paid at a deemed price of \$0.05 per share. As at year end no shares have been issued to the financial advisor.

## 14. Subsequent event

On June 3, 2020, the Company completed a non-brokered private placement "(subscription)" for aggregate gross proceeds of \$350,000. Under the subscription, the company issued 11,666,666 units in accordance with the terms and conditions of the subscription agreement representing a subscription price of \$0.03 per unit. Each unit is comprised of one common share of the Company and one-half common share purchase warrant of the Company. Each warrant is exercisable into one common share at a price of \$0.06 for a period of 24 months from the closing date. In connection with the subscription, an aggregate of \$18,192 in a finder's fees and 419,866 broker warrants were paid to finders. Each broker's warrant shall be exercisable into one common share at \$0.06 for a period of 24 months from the closing date.