

# **Graph Blockchain Inc.**

## **Interim Condensed Consolidated Financial Statements** **For the Three and Nine Months Ended January 31, 2021 and 2020** (Expressed in Canadian dollars) (Unaudited)

### **Interim Condensed Consolidated Financial Statements**

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## **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying interim condensed consolidated financial statements of Graph Blockchain Inc. (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 interim condensed consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity’s auditor.

# Graph Blockchain Inc.

## Interim Condensed Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

	January 31, 2021 \$	April 30, 2020 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	288,117	105,252
Trade and other receivables (Notes 10 and 11)	444,984	12,313
Inventory (Note 5)	23,417	-
Prepaid expenses and other assets	16,200	10,800
<b>Total current assets</b>	<u>772,718</u>	<u>128,365</u>
<b>Property and equipment, net</b> (Note 6)	<u>1,133</u>	<u>9,469</u>
<b>Total assets</b>	<u>773,851</u>	<u>137,834</u>
<b>Liabilities and shareholders' deficiency</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 10)	669,838	400,671
Related party loan payable (Note 10)	-	257,080
	<u>669,838</u>	<u>657,751</u>
<b>Loan payable</b> (Note 14)	<u>40,000</u>	<u>-</u>
<b>Total liabilities</b>	<u>709,838</u>	<u>657,751</u>
<b>Shareholders' equity (deficiency)</b>		
Share capital (Note 8)	10,455,718	9,564,871
Reserves (Note 8)	1,974,698	418,926
Accumulated other comprehensive income	559	(2,870)
Deficit	<u>(12,366,962)</u>	<u>(10,500,844)</u>
<b>Total shareholders' equity (deficiency)</b>	<u>64,013</u>	<u>(519,917)</u>
<b>Total liabilities and shareholders' equity (deficiency)</b>	<u>773,851</u>	<u>137,834</u>
Going concern (Note 2)		
Subsequent events (Note 15)		

Signed "Paul Haber" Director

Signed "Andrew Ryu" Director

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

# Graph Blockchain Inc.

## Interim Condensed Consolidated Statement of Loss and Comprehensive Loss

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

(Unaudited)

	<b>Three months ended January 31, 2021 \$</b>	Three months ended January 31, 2020 \$	<b>Nine months ended January 31, 2021 \$</b>	Nine months ended January 31, 2020 \$
<b>Sales</b>	<b>20,356</b>	-	<b>417,407</b>	-
<b>Cost of sales</b>	<b>(2,325)</b>	-	<b>(301,573)</b>	-
<b>Gross profit</b>	<b>18,031</b>	-	<b>115,834</b>	-
<b>Expenses</b>				
Salaries, benefits and management fees (Note 10)	-	30,269	51,224	200,530
Office and general (Note 10)	14,664	(68,906)	27,983	121,895
Other operating expenses (Note 10)	136,655	(145,388)	418,406	79,356
Depreciation (Note 6)	131	(26,441)	393	13,967
Loss on disposal of assets	-	5,495	7,805	5,495
Share-based consulting fees (Note 8)	-	2,373	-	19,585
Share-based compensation (Notes 8 and 10)	1,619,867	-	1,619,867	-
	<b>1,771,317</b>	(202,598)	<b>2,125,678</b>	440,828
<b>Income (Loss) before other income (expenses)</b>	<b>(1,753,286)</b>	202,598	<b>(2,009,844)</b>	(440,828)
Interest income	-	1,749	-	-
Interest expenses	(25)	-	(2,380)	(85)
Foreign exchange loss	(39,757)	-	(46,896)	(44)
Gain on settlement of debts (Note 8)	-	-	193,002	-
<b>Net income (loss)</b>	<b>(1,793,068)</b>	204,347	<b>(1,866,118)</b>	(440,957)
<b>Other comprehensive income, net of tax</b>				
Foreign exchange translation adjustment	2,856	3,768	3,429	3,813
<b>Comprehensive income (loss)</b>	<b>(1,790,212)</b>	208,115	<b>(1,862,689)</b>	(437,144)
<b>Basic and diluted earnings (loss) per share</b> (Note 9)	<b>(0.011)</b>	(0.001)	<b>(0.012)</b>	(0.003)
<b>Weighted average number of common shares</b> (Note 9)	<b>164,108,684</b>	138,081,643	<b>157,552,128</b>	137,779,274

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

# Graph Blockchain Inc.

## Interim Condensed Consolidated Statement of Changes in Shareholders' Equity (Deficiency)

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

(Unaudited)

	Common Shares				Accumulated Other Comprehensive Income	Total
	Number	Amount \$	Reserves \$	Deficit \$		
Balance – April 30, 2019	137,376,349	9,449,979	371,133	(9,742,313)	(84)	78,715
Share based consulting fees	908,232	19,585	-	-	-	19,585
Foreign exchange translation	-	-	-	-	3,813	3,813
Net loss for the period	-	-	-	(440,957)	-	(440,957)
<b>Balance – January 31, 2020</b>	<b>138,284,581</b>	<b>9,469,564</b>	<b>371,133</b>	<b>(10,183,270)</b>	<b>3,729</b>	<b>(338,844)</b>
Balance – April 30, 2020	143,284,581	9,564,871	418,926	(10,500,844)	(2,870)	(519,917)
Shares issued under private placement	11,666,666	350,000	-	-	-	350,000
Shares issued for finders' fee	166,553	6,662	-	-	-	6,662
Shares issued for debts	7,720,080	193,002	-	-	-	193,002
Shares issued for options exercised	5,000,000	318,500	(68,500)	-	-	250,000
Shares issued for warrants exercised	845,700	61,437	(10,695)	-	-	50,742
Share issue costs	-	(38,754)	15,100	-	-	(23,654)
Share-based compensation	-	-	1,619,867	-	-	1,619,867
Foreign exchange translation	-	-	-	-	3,429	3,429
Net loss for the period	-	-	-	(1,866,118)	-	(1,866,118)
<b>Balance – January 31, 2021</b>	<b>168,683,580</b>	<b>10,455,718</b>	<b>1,974,698</b>	<b>(12,366,962)</b>	<b>559</b>	<b>64,013</b>

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

# Graph Blockchain Inc.

## Interim Condensed Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

	Nine months ended January 31, 2021 \$	Nine months ended January 31, 2020 \$
<b>Cash flows used in operating activities</b>		
Net loss	(1,866,118)	(440,957)
Adjustments to reconcile net loss to operating cash flow		
Depreciation and accretion (Note 6)	393	13,967
Share-based consulting fees (Note 8)	-	19,585
Share-based compensation (Note 8)	1,619,867	-
Shares subscribed in private placements for services to be rendered (Note 3)	-	62,857
Loss on disposal of assets	7,805	5,495
Loss allowance on loan receivables (Note 11)	-	69,715
Gain on settlement of debts (Note 8)	(193,002)	-
Net change in operating assets and liabilities (Note 7)	<u>(52,571)</u>	<u>(3,911)</u>
	<u>(483,626)</u>	<u>(273,249)</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment (Note 6)	-	(1,452)
Repayments of loan receivables (Note 10)	-	106,609
	<u>-</u>	<u>105,157</u>
<b>Cash flows from financing activities</b>		
Loan payable (Note 10)	40,000	90,712
Repayment of loan	-	(7,777)
Principal payment of lease liability	-	-
Proceeds from issuance of share capital (Note 8), net	323,258	-
Proceeds from options exercised (Note 8)	250,000	-
Proceeds from warrants exercised (Note 8)	50,742	-
	<u>664,000</u>	<u>82,935</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	2,491	64,588
<b>Increase (Decrease) in cash and cash equivalents</b>	182,865	(20,569)
<b>Cash and cash equivalents, beginning of period</b>	<u>105,252</u>	<u>22,171</u>
<b>Cash and cash equivalents, end of period</b>	<u>288,117</u>	<u>1,602</u>

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

# **Graph Blockchain Inc.**

Notes to Interim Condensed Consolidated Financial statements

For the nine months ended January 31, 2021 and 2020

(Expressed in Canadian dollars)

Unaudited)

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

Graph Blockchain Inc. (the “Company”) is a blockchain development company that provides high performance blockchain solutions that include graphic data analysis and consulting services, implementation of data mining analysis through the use of graph databases and speed enhancements of blockchain control systems for businesses and government. This includes the Babbage Mining Corp. which will focus on altcoins, alternative cryptocurrencies to Bitcoin. Graph will be the first publicly tradable altcoin Proof of Stake (“POS”) miner, which will generate revenue while providing exposure to several top digital assets by market capitalization. By mining altcoins through Proof of Stake, Babbage can provide to its investor’s exposure to the vast emerging market of cryptocurrencies with the significant technological disruption and potential gains that altcoins represent.

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 BluStem Ltd. (formerly Graph Blockchain Limited) (“BluStem”) through a reverse takeover, and changed the Company’s name to Graph Blockchain Inc. Refer to Note 3 for more information.

The Company continues to monitor COVID-19 developments. During the nine months ended January 31, 2021, 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 unaudited interim condensed consolidated financial statements (“interim financial statements”) were prepared using the same accounting policies and methods as those used in the Company’s audited consolidated financial statements for the year ended April 30, 2020. These interim condensed consolidated financial statements are in compliance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). Accordingly, certain information and footnote disclosure normally included in the annual consolidated 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.

These interim condensed consolidated financial statements were approved and authorized for issuance by the Company’s Board of Directors on March 30, 2021. These interim condensed 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 interim condensed consolidated financial statements, unless otherwise indicated.

# **Graph Blockchain Inc.**

Notes to Interim Condensed Consolidated Financial statements

For the nine months ended January 31, 2021 and 2020

(Expressed in Canadian dollars)

Unaudited)

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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 period-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 period presentation.

### **Going concern**

These interim condensed consolidated financial statements were prepared on a going concern basis under the historical cost basis of accounting. As at January 31, 2021, the Company has an accumulated deficit of \$12,366,962 (April 30, 2020 - \$10,500,844). For the nine months ended January 31, 2021, the Company recognized a net loss of \$1,866,118 (2019 - \$440,957) and had net cash outflows from operating activities of \$483,626 (2019 - \$273,249). At January 31, 2021, 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 interim condensed 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 interim condensed consolidated financial statements.



# Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial statements

For the nine months ended January 31, 2021 and 2020

(Expressed in Canadian dollars)

Unaudited)

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## 2 Significant accounting policies (continued)

### Basis of consolidation

These interim condensed consolidated financial statements include the accounts of the Company's wholly owned subsidiary, BluStem Ltd., as defined in Note 3 below. Any references to Company include references to such subsidiary. Intercompany balances and transactions are eliminated upon consolidation and preparation of these interim condensed consolidated financial statements, and any unrealized income and expenses arising from intercompany transactions, are eliminated.

### Inventory

Inventory consists of COVID-19 related products valued at the lower of the actual costs or its current estimated market value less costs to sell. The Company periodically reviews its inventory for obsolete and potentially impaired items. As at January 31, 2021, the Company has no reserve for inventory.

### Critical Accounting Estimates and Judgements

The preparation of these interim condensed 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 interim condensed 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.

### 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.

# Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial statements

For the nine months ended January 31, 2021 and 2020

(Expressed in Canadian dollars)

Unaudited)

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## 2 Significant accounting policies (continued)

### Critical Accounting Estimates and Judgements (continued)

#### 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.

## 3 Reverse take-over

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

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

# Graph Blockchain Inc.

## Notes to Interim Condensed Consolidated Financial statements

For the nine months ended January 31, 2021 and 2020

(Expressed in Canadian dollars)

Unaudited)

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### 3 Reverse take-over (continued)

The following summarizes the reverse takeover of the Company by BluStem 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 the Company's former 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 BluStem from the Company	<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.

In connection with the above transaction, BluStem 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 BluStem. Each warrant shall be exercisable into one common share of BluStem 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.

# Graph Blockchain Inc.

## Notes to Interim Condensed Consolidated Financial statements

For the nine months ended January 31, 2021 and 2020

(Expressed in Canadian dollars)

Unaudited)

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### 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 and major customers

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

Segment information of the Company is summarized as follows:

	Graph Canada \$	Graph Korea \$	Consolidated totals \$
<b>For the nine months ended January 31, 2021</b>			
Revenue from external customers	417,407	-	417,407
Segment loss	(1,855,836)	(10,282)	(1,866,118)
<b>As at January 31, 2021</b>			
Segment assets	771,304	2,547	773,851
Segment liabilities	691,046	18,792	709,838
	Graph Canada \$	Graph Korea \$	Consolidated totals \$
<b>For the nine months ended January 31, 2020</b>			
Revenue from external customers	-	-	-
Segment loss	(240,406)	(200,551)	(440,957)
<b>As at April 30, 2020</b>			
Segment assets	127,338	10,496	137,834
Segment liabilities	447,562	210,189	657,751

The Company’s revenue generating activities relate to the sale of COVID-19 related equipment and supplies. During the nine months ended January 31, 2021, the Company relied on one major customer, a company with certain directors in common with the Company (Note 10), for 95% (2020 – 0%) of its revenues and the total amount due from this customer was \$409,762 as at January 31, 2021.

# Graph Blockchain Inc.

## Notes to Interim Condensed Consolidated Financial statements

For the nine months ended January 31, 2021 and 2020

(Expressed in Canadian dollars)

Unaudited)

### 5 Inventory

As at January 31, 2021, inventory consists of thermal cycler (PCR) machines and Icopy™ COVID-19 qPCR Multi Kits.

During the nine months ended January 31, 2021, the Company purchased inventory of \$344,990 (100% of total purchases) (2020 - \$Nil) from a company with certain directors in common with the Company (Note 10).

### 6 Property and equipment

	Computer equipment \$	Office equipment and furniture \$	Total \$
<b>Cost</b>			
Balance at April 30, 2019	45,754	2,616	48,370
Additions	1,509	-	1,509
Disposal	(6,876)	-	(6,876)
CTA	(167)	-	(167)
Balance at April 30, 2020	40,220	2,616	42,836
Disposal	(17,400)	-	(17,400)
CTA	(308)	-	(308)
<b>Balance at January 31, 2021</b>	<b>22,512</b>	<b>2,616</b>	<b>25,128</b>
<b>Accumulated depreciation</b>			
Balance at April 30, 2019	16,378	567	16,945
Depreciation	17,001	523	17,524
Disposal	(1,102)	-	(1,102)
Balance at April 30, 2020	32,277	1,090	33,367
Depreciation	-	393	393
Disposal	(9,595)	-	(9,595)
CTA	(170)	-	(170)
<b>Balance at January 31, 2021</b>	<b>22,512</b>	<b>1,483</b>	<b>23,995</b>
<b>Carrying amounts</b>			
Balance at April 30, 2020	7,943	1,526	9,469
<b>Balance at January 31, 2021</b>	<b>-</b>	<b>1,133</b>	<b>1,133</b>

# Graph Blockchain Inc.

## Notes to Interim Condensed Consolidated Financial statements

For the nine months ended January 31, 2021 and 2020

(Expressed in Canadian dollars)

Unaudited)

### 7 Net change in operating assets and liabilities

	Nine months ended January 31, 2021	Nine months ended January 31, 2020
	\$	\$
<b>Cash flows provided by (used in)</b>		
Trade and other receivables	(422,921)	152,713
Inventory	(23,417)	-
Prepaid expenses and other assets	(5,400)	224,655
Accounts payable and accrued liabilities	<u>399,167</u>	<u>(381,279)</u>
	<u>(52,571)</u>	<u>(3,911)</u>

### 8 Share capital and reserves

#### a) Common shares

The Company is authorized to issue an unlimited number of common shares with no par value.

Issuances of common shares are recorded in “Share capital” on the interim condensed 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
Shares issued in exchange for consulting fees	908,232	19,586
Shares issued from private placements, net of fees	5,000,000	90,206
Advance from private placement		5,100
Shares issued and outstanding at April 30, 2020	<u>143,284,581</u>	<u>9,564,871</u>
Shares issued from private placements, net of fees	11,666,666	311,246
Shares issued for finders’ fees	166,553	6,662
Shares issued for stock options exercised	5,000,000	318,500
Shares issued for warrants exercised	845,700	61,437
Shares issued for settlement of debts	<u>7,720,080</u>	<u>193,002</u>
<b>Shares issued and outstanding at January 31, 2021</b>	<b><u>168,683,580</u></b>	<b><u>10,455,718</u></b>

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.

# Graph Blockchain Inc.

## Notes to Interim Condensed Consolidated Financial statements

For the nine months ended January 31, 2021 and 2020

(Expressed in Canadian dollars)

Unaudited)

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### 8 Share capital and reserves (continued)

#### a) Common shares (continued)

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 where allocated between shares and reserves based on the proportionate fair value allocation.

On June 3, 2020, the Company completed a non-brokered private placement 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 \$16,992 in finders' fees, 166,553 common shares in finders' fees valued at \$6,662 and 399,866 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. Share issuance costs, including cash expenses, amounted to \$38,754 resulting in net proceeds of \$311,246, of which \$311,246 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 \$Nil has been allocated to "Reserves" for the warrants issued on the interim condensed consolidated statement of financial position.

On September 14, 2020, the Company issued 7,720,080 common shares of the Company valued at \$193,002 to settle total debts in the amount of \$386,004 resulting in a gain on settlement of debts of \$193,002 for the nine months ended January 31, 2021. The creditors include a related party, Datametrex AI Limited, who has control of over 10% of the voting securities of the Company and will be receiving 5,120,080 common shares of the Company.

On January 11, 2021, the Company issued 5,000,000 common shares of the Company for gross proceeds of \$250,000 pursuant to the exercise of stock options with an exercise price of \$0.05 per share.

On January 11, 2021, the Company issued 845,700 common shares of the Company for gross proceeds of \$50,742 pursuant to the exercise of warrants with an exercise price of \$0.06 per share.

# Graph Blockchain Inc.

## Notes to Interim Condensed Consolidated Financial statements

For the nine months ended January 31, 2021 and 2020

(Expressed in Canadian dollars)

Unaudited)

### 8 Share capital and reserves (continued)

#### b) Warrants

Issuances of warrants are recorded in “Reserves” on the interim condensed 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, 2019	5,020,685	0.295
Warrants expired	(1,665,818)	0.083
Warrants issued in connection with private placements	2,900,000	0.06
Warrants outstanding at April 30, 2020	6,254,867	0.242
Warrants expired	(3,354,867)	0.40
Warrants issued in connection with private placements	6,233,218	0.06
Warrants exercised	(845,700)	0.06
<b>Warrants outstanding at January 31, 2021</b>	<b>8,287,518</b>	<b>0.06</b>

The Company used the residual method to value non-broker warrants issued in connection with private placement completed on March 9, 2020 and June 3, 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%.

For brokers’ warrants issued in connection with the private placement completed on June 3, 2020, the value was calculated using the Black-Scholes pricing model with the following assumptions: (i) risk-free annual interest rate – 0.29%; (ii) expected exercise price – \$0.06; (iii) expected life – 2 years; (iv) annualized volatility – 282%; and (v) expected dividend yield – 0%.

As at January 31, 2021, the outstanding warrants had a remaining useful life of 1.25 years with a reserve balance of \$423,331 (April 30, 2020 – 0.87 years with a reserve balance of \$418,296).

As at January 31, 2021, the following warrants were outstanding:

Number of warrants	Exercise price	Expiry date
2,900,000	\$0.06	March 9, 2022
5,387,518	\$0.06	June 3, 2022
<b>8,287,518</b>		



# Graph Blockchain Inc.

## Notes to Interim Condensed Consolidated Financial statements

For the nine months ended January 31, 2021 and 2020

(Expressed in Canadian dollars)

Unaudited)

### 9 Share capital and reserves (continued)

#### c) Stock options

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

Granting of stock options are recorded in "Reserves" on the interim condensed consolidated statements of financial position. The following summarizes transactions involving stock options granted by the Company:

	Number	Weighted average exercise price \$
Stock options outstanding at April 30, 2019 and 2020	-	-
Stock options granted	24,500,000	0.08
Stock options exercised	(5,000,000)	0.05
<b>Stock options outstanding and exercisable at January 31, 2021</b>	<b>19,500,000</b>	<b>0.09</b>

The Company uses the Black-Scholes option pricing model to value the stock options granted. The Black - Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The model requires management to make estimates which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values. The forfeiture rate assumption is based on historical results, which is estimated to be nil, and the annualized volatility is based on the Company's historical share prices.

On December 10, 2020, the Company granted incentive stock options to purchase a total of 8,500,000 common shares at an exercise price of \$0.05 per share for a period of two years to management and directors of the Company. Accordingly, the Company recorded the estimated grant date fair value of \$116,496 in connection to these options.

The grant date fair value of the options granted above was based on the following assumptions: share price at grant date of \$0.02; exercise price of \$0.05; expected life of 2 years; expected volatility of 278%; risk free interest rate of 0.26%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

On January 14, 2021, the Company granted incentive stock options to purchase a total of 14,500,000 common shares at an exercise price of \$0.095 per share for a period of two years to management, directors and consultants of the Company. Accordingly, the Company recorded the estimated grant date fair value of \$1,395,228 in connection to these options.

The grant date fair value of the options granted above was based on the following assumptions: share price at grant date of \$0.10; exercise price of \$0.095; expected life of 2 years; expected volatility of 292%; risk free interest rate of 0.16%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

# Graph Blockchain Inc.

## Notes to Interim Condensed Consolidated Financial statements

For the nine months ended January 31, 2021 and 2020

(Expressed in Canadian dollars)

Unaudited)

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### 8 Share capital and reserves (continued)

#### c) Stock options (continued)

On January 30, 2021, the Company granted incentive stock options to purchase a total of 1,500,000 common shares at an exercise price of \$0.075 per share for a period of two years to an advisor of the Company. Accordingly, the Company recorded the estimated grant date fair value of \$108,143 in connection to these options.

The grant date fair value of the options granted above was based on the following assumptions: share price at grant date of \$0.075; exercise price of \$0.075; expected life of 2 years; expected volatility of 292%; risk free interest rate of 0.14%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

As at January 31, 2021, the outstanding stock options had a remaining useful life of 2.12 years with a reserve balance of \$1,551,367 (April 30, 2020 – Nil years with a reserve balance of \$Nil).

As at January 31, 2021, the following stock options were outstanding:

Number of warrants	Exercise price	Expiry date
3,500,000	\$0.05	December 10, 2022
14,500,000	\$0.095	January 13, 2023
1,500,000	\$0.075	January 30, 2023
<b>19,500,000</b>		

### 9 Loss per share

#### For the nine months ended January 31, 2021

Net loss	\$ (1,866,118)
Weighted average number of shares outstanding	157,552,128
Basic and diluted loss per share	<u>\$ (0.012)</u>

#### For the nine months ended January 31, 2020

Net loss	\$ (440,957)
Weighted average number of shares outstanding	137,779,274
Basic and diluted loss per share	<u>\$ (0.003)</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 and stock options as at January 31, 2021 of 8,287,518 (2020 – 3,354,867) and 19,500,000 (2020 – Nil), respectively, have not been factored into the calculation as they are considered anti-dilutive.

# Graph Blockchain Inc.

## Notes to Interim Condensed Consolidated Financial statements

For the nine months ended January 31, 2021 and 2020

(Expressed in Canadian dollars)

Unaudited)

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### 9 Loss per share (continued)

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 January 31, 2021:

	<b>Number</b>
Common shares issued and outstanding	168,683,580
Warrants outstanding	8,287,518
Stock options outstanding	19,500,000
	<u>196,471,098</u>

### 10 Related party transactions

#### a) Trade and other receivables

As at January 31, 2021, an amount of \$409,762 (April 30, 2020 - \$Nil) included trade and other receivables is due from a company with certain directors in common with the Company (Note 4).

#### b) Accounts payable and accrued liabilities

As at January 31, 2021, an amount of \$217,857 (April 30, 2020 - \$21,377) included accounts payable and accrued liabilities is due to certain officers and a shareholder company of the Company.

#### c) Loans payable

As at January 31, 2021, the Company has loan advancements from a shareholder company for a total amount of \$Nil (April 30, 2020 - \$65,700). During the year ended April 30, 2020, the Company was repaid the prior year's amount and an additional amount was advanced to the Company resulting in a loan payable balance. This loan is unsecured, non-interest bearing and repayable on demand.

As at January 31, 2021, the Company has loan advancements due on demand from the Korea segment of a shareholder company for a total amount of \$Nil (April 30, 2020 - \$191,380) bearing interest at 5.0% per annum and unsecured. Interest accrued of \$2,380 during the nine months ended January 31, 2021 was included in accounts payable and accrued liabilities. Loan advances were made in the amount of \$76,180 during the year ended April 30, 2020.

#### d) Sales

During the nine months ended January 31, 2021, the Company recognized sales of \$397,051 (2020 - \$Nil) from a company with certain directors in common with the Company (Note 4).

# Graph Blockchain Inc.

## Notes to Interim Condensed Consolidated Financial statements

For the nine months ended January 31, 2021 and 2020

(Expressed in Canadian dollars)

Unaudited)

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### 10 Related party transactions (continued)

#### e) Inventory purchases

During the nine months ended January 31, 2021, the Company purchased inventory of \$344,990 (100% of total purchases) (2020 - \$Nil) from a company with certain directors in common with the Company (Note 5).

#### f) 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:

	Nine months ended January 31, 2021 \$	Nine months ended January 31, 2020 \$
Accounting fees included in other operating expenses	2,000	-
Consulting fees included in other operating expenses	146,000	70,000
Management fees	51,224	-
Share-based compensation	1,367,390	-
	<u>1,566,614</u>	<u>70,000</u>

### 11 Financial instruments and risk management

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented below.

As at January 31, 2021, the Company's financial instruments are comprised of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities, related party loan payables and loan payable. 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.

## Notes to Interim Condensed Consolidated Financial statements

For the nine months ended January 31, 2021 and 2020

(Expressed in Canadian dollars)

Unaudited)

### 11 Financial instruments and risk management (continued)

#### 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 January 31, 2021, the impairment allowance relating to trade and other receivables is \$Nil (April 30, 2020 - \$Nil).

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 and January 31, 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

	Due from Related Party \$	Loans Receivable \$	Total \$
Balance at May 1, 2019	108,904	67,420	176,324
Repayments	(109,907)	-	(109,907)
Accretion income	1,003	2,296	3,299
ECL allowance	-	(69,716)	(69,716)
<b>Balance at April 30, 2020 and January 31, 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Graph Blockchain Inc.

## Notes to Interim Condensed Consolidated Financial statements

For the nine months ended January 31, 2021 and 2020

(Expressed in Canadian dollars)

Unaudited)

### 11 Financial instruments and risk management (continued)

#### Credit risk and economic dependence (continued)

During the year ended April 30, 2020, the loss allowance of \$69,716 was 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 was signed on April 3, 2019. The loan was 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 interim condensed 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	-	-	400,671
Related party loan payable	257,080	-	-	257,080
<b>Balance at April 30, 2020</b>	<b>657,751</b>	<b>-</b>	<b>-</b>	<b>657,751</b>

  

	12 months \$	1 to 2 years \$	2 to 5 years \$	Total \$
Accounts payable and accrued liabilities	669,838	-	-	669,838
Loan payable	-	-	40,000	40,000
<b>Balance at January 31, 2021</b>	<b>669,838</b>	<b>-</b>	<b>40,000</b>	<b>709,838</b>

# Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial statements

For the nine months ended January 31, 2021 and 2020

(Expressed in Canadian dollars)

Unaudited)

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## 11 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.

## 12 Capital management

The Company defines its capital as its shareholders’ equity in the amount of \$64,013. The Company’s objectives when managing capital are to maintain a sufficient capital base in order to meet its short-term obligations and at the same time preserve investors’ confidence required to sustain future development of the business. The Company is not exposed to any externally imposed capital requirements. There were no changes in the Company’s approach to capital management during the nine months ended January 31, 2021.

## 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 January 31, 2021, no shares have been issued to the financial advisor.

## 14 Government of Canada loan

During the nine months ended January 31, 2021, the Company received \$40,000 under the Canada Emergency Business Account (“CEBA”). The loan is non-interest bearing and no principal repayments are required up to December 31, 2022. If the principal balance of \$30,000 is repaid by December 31, 2022, then the remaining \$10,000 of the principal balance will be forgiven. Any remaining balance after January 1, 2023 will be converted into a 3 year term loan with a fixed interest of 5% per annum, monthly interest-only payments and the outstanding balance must be repaid in full by December 31, 2025.

# Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial statements

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(Expressed in Canadian dollars)

Unaudited)

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## 15 Subsequent events

In February 2021, the Company closed its acquisition of 100% of Babbage Mining Corp.'s ("Babbage") issued and outstanding securities pursuant to the terms of the share exchange agreement entered between the Company, Babbage and the shareholders of Babbage. The Company issued 60,000,000 units of the Company comprised of one common share of the Company and one share purchase warrant to Babbage shareholders at a deemed price of \$0.08 per unit for an aggregate purchase price of \$4,800,000. Each warrant is exercisable into one common share at a price of \$0.10 per common share for a period of eighteen months, subject to the Company's exercise of an Acceleration Right. The warrants are subject to an acceleration clause whereby if the common share price on the Canadian Securities Exchange is equal to or greater than \$0.15 per common share for a period of 10 consecutive trading days, the Company may, by notice of the holders of the warrants, reduce the remaining exercise period applicable to the warrants to no less than 30 days from the date of such notice.

On February 19, 2021, the Company completed non-brokered private placement of 28,950,000 units to raise gross proceeds of \$2,316,000. Each unit was priced at a price of \$0.08 and consisted of one common shares and one warrant of the Company. Each warrant shall be exercisable into one common share of the Company at a price of \$0.10 for a period of eighteen months from the date of issuance. In connection with the subscription, an aggregate of \$111,440 in finders' fees and 1,393,000 broker warrants were paid to finders. Each broker's warrant shall be exercisable into one common share at \$0.10 for a period of 18 months from the closing date.

On February 22, 2021, the Company granted incentive stock options to an advisor and consultant of the Company to purchase up to 4,000,000 common shares of the Company at a price of \$0.285 per share for a period of 2 years from the date of grant.

On March 8, 2021, the Company granted incentive stock options to certain management, directors, advisors and employees of the Company to purchase up to 13,000,000 common shares of the Company at a price of \$0.21 per share for a period of 2 years from the date of grant.

Subsequent to the nine months ended January 31, 2021, 11,281,384 of warrants were exercised for gross proceeds of \$964,883.

Subsequent to the nine months ended January 31, 2021, 11,300,000 of stock options were exercised for gross proceeds of \$961,000.