

Graph Blockchain Inc.

Interim Condensed Consolidated Financial Statements **For the Three Months Ended July 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)

	July 31, 2021 \$	April 30, 2021 \$
Assets		
Current assets		
Cash and cash equivalents	6,770,634	8,802,843
Trade and other receivables (Note 10)	417,973	418,015
Goods and Services Tax receivable	179,798	40,101
Prepaid expenses and other assets	33,470	81,283
Total current assets	7,401,875	9,342,242
Property and equipment, net (Note 5)	872	1,003
Digital assets (Note 6)	3,227,148	2,408,596
Goodwill (Note 3)	5,225,402	-
Total assets	15,855,297	11,751,841
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	1,271,422	742,404
Loans payable (Note 15)	500	-
	1,271,922	742,404
Loans payable (Note 15)	-	40,000
Total liabilities	1,271,922	782,404
Shareholders' equity		
Share capital (Note 8)	31,631,488	26,527,665
Reserves (Note 8)	14,587,496	10,271,124
Accumulated other comprehensive income (loss)	(28,583)	1,165
Accumulated deficit	(31,607,026)	(25,830,517)
Total shareholders' equity	14,583,375	10,969,437
Total liabilities and shareholders' equity	15,855,297	11,751,841
Commitments (Note 13)		
Contingency (Note 14)		
Subsequent events (Note 16)		

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 Net Loss and Comprehensive Loss
(Expressed in Canadian dollars, except number of common shares)
(Unaudited)

	Three months ended July 31, 2021	Three months ended July 31, 2020
	\$	\$
Expenses		
Salaries, benefits and management fees (Note 10)	10,392	39,000
Office and general	23,211	6,794
Other operating expenses (Note 10)	1,093,917	94,327
Depreciation (Note 5)	131	131
Loss on disposal of assets	-	7,805
	<u>1,127,651</u>	<u>148,057</u>
Loss before other income (expenses)	(1,127,651)	(148,057)
Other income (expenses)		
Interest expenses	-	(2,351)
Foreign exchange loss	-	(7,125)
Gain on settlement of debts (Notes 8 and 15)	10,000	-
Other income	25,052	-
Consideration paid in excess of net assets acquired from acquisition (Note 3)	<u>(4,683,910)</u>	<u>-</u>
Net loss	<u>(5,776,509)</u>	<u>(157,533)</u>
Other comprehensive income (loss)		
Foreign exchange translation adjustment	<u>(29,748)</u>	<u>4,211</u>
Comprehensive loss	<u>(5,806,257)</u>	<u>(153,322)</u>
Basic and diluted net loss per share (Note 9)	(0.014)	(0.001)
Weighted average number of common shares (Note 9)	398,540,892	150,744,654

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)

	<u>Common Shares</u>		Reserves	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	Number	Amount \$				
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
Share issue costs	-	(38,754)	15,100	-	-	(23,654)
Foreign exchange translation	-	-	-	-	4,211	4,211
Net loss for the period	-	-	-	(157,533)	-	(157,533)
Balance – July 31, 2020	155,117,800	9,882,779	434,026	(10,658,377)	1,341	(340,231)
Balance – April 30, 2021	357,905,441	26,527,665	10,271,124	(25,830,517)	1,165	10,969,437
Shares issued for Beyond the Moon Inc. acquisition	46,153,846	2,973,753	1,710,157	-	-	4,683,910
Shares issued for New World Inc. acquisition	46,153,846	2,130,070	2,606,215	-	-	4,736,285
Foreign exchange translation	-	-	-	-	(29,748)	(29,748)
Net loss for the period	-	-	-	(5,776,509)	-	(5,776,509)
Balance – July 31, 2021	450,213,133	31,631,488	14,587,496	(31,607,026)	(28,583)	14,583,375

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)

	Three months ended July 31, 2021	Three months ended July 31, 2020
	\$	\$
Cash flows used in operating activities		
Net loss	(5,776,509)	(157,533)
Adjustments to reconcile net loss to operating cash flow		
Depreciation (Note 5)	131	131
Gain on settlement of debts (Note 15)	(10,000)	-
Loss on disposal of assets	-	7,805
Consideration paid in excess of net assets acquired from acquisition (Note 3)	4,683,910	-
Net change in operating assets and liabilities (Note 7)	68,202	(176,573)
	<u>(1,034,266)</u>	<u>(326,170)</u>
Cash flows used in investing activities		
Purchase of digital assets (Note 6)	(818,552)	-
Acquisition of New World Inc., net of cash received (Note 3)	357	-
	<u>(818,195)</u>	<u>-</u>
Cash flows (used in) from financing activities		
Proceeds from issuance of share capital (Note 8), net	-	323,258
Loans payable (Note 15)	(150,000)	-
	<u>(150,000)</u>	<u>323,258</u>
Effect of exchange rate changes on cash and cash equivalents	(29,748)	348
Decrease in cash and cash equivalents	(2,032,209)	(2,564)
Cash and cash equivalents, beginning of period	8,802,843	105,252
Cash and cash equivalents, end of period	<u>6,770,634</u>	<u>102,688</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 three months ended July 31, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)

1 Description of business and organization

Graph Blockchain Inc. (the “Company” or “Graph”) is a blockchain company that provides shareholder with exposure to various areas of Decentralized Finance (DeFi). Focusing on altcoins (cryptocurrencies other the Bitcoin) through its wholly owned subsidiaries Babbage Mining Corp., a Proof of Stake (POS) miner, and Beyond the Moon Inc., an IDO focused company, Graph gives investors exposure to the vast emerging market of cryptocurrencies an the potential significant gains that can come in that area. In addition, through its investment in New World Inc. Graph is providing its shareholders with exposure to the rapidly growing and emerging NFT market.

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.

The Company continues to monitor COVID-19 developments. During the three months ended July 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, 2021. 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 September 28, 2021. These consolidated financial statements are presented in Canadian dollars which is also the Company’s functional currency. The Company has five wholly-owned entities, the South Korean branch of Graph Blockchain Inc. (unincorporated) with a Korean Won functional currency, and BluStem Ltd., Babbage Mining Corp., Beyond the Moon Inc. and New World Inc. with a Canadian dollars functional currency. The accounting policies have been applied consistently in these consolidated financial statements, unless otherwise indicated.

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.

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial statements

For the three months ended July 31, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)

2 Significant accounting policies (continued)

Basis of presentation and statement of compliance (continued)

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 income/loss and accumulated in equity.

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

Basis of consolidation

These interim condensed consolidated financial statements include the accounts of the Company's wholly owned subsidiaries, BluStem Ltd., Babbage Mining Corp., Beyond the Moon Inc. and New World Inc., as defined in Note 3 below, and a branch located in South Korea. Any references to Company include references to such entities. 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.

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.

Judgements

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

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial statements

For the three months ended July 31, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)

2 Significant accounting policies (continued)

Critical Accounting Estimates and Judgements (continued)

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) Digital assets

Management is required to use judgement in determining the frequency with which the digital assets are to be tested for impairment. The assessment of impairment of these digital assets is dependant upon estimates of the recoverable amounts that take into account factors such as the economic and market conditions.

d) 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.

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial statements

For the three months ended July 31, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)

3 Asset acquisitions and business combination

Babbage Mining Corp.

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. 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. The share purchase warrants were accounted for as an equity instrument under IFRS 2 – Share Based Payments and recorded at fair value on the acquisition date using the Black-Scholes pricing model.

The acquisition of Babbage does not constitute a business combination because the entity does not meet the definition of a business under IFRS 3 – Business Combination. As a result, the transaction has been measured at the fair value of equity consideration issued to acquire this entity.

The purchase price was determined based on IFRS 2 – Share Based Payments.

	Amount
	\$
Purchase price	
60,000,000 common shares	2,585,850
60,000,000 share purchase warrants	<u>3,277,265</u>
Total consideration paid	<u>5,863,115</u>
Consideration paid in excess of net assets acquired	<u>5,863,115</u>

Beyond the Moon Inc.

In June 2021, the Company closed its acquisition of 100% of Beyond the Moon Inc.'s ("Moon") issued and outstanding securities pursuant to the terms of the share exchange agreement entered between the Company, Moon and the shareholders of Moon. The Company issued 46,153,846 units of the Company comprised of one common share of the Company and one half share purchase warrant to Moon shareholders. Each whole warrant is exercisable into one common share at a price of \$0.18 per common share for a period of 18 months. The share purchase warrants were accounted for as an equity instrument under IFRS 2 – Share Based Payments and recorded at fair value on the acquisition date using the Black-Scholes pricing model.

The acquisition of Moon does not constitute a business combination because the entity does not meet the definition of a business under IFRS 3 – Business Combination. As a result, the transaction has been measured at the fair value of equity consideration issued to acquire this entity.

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial statements

For the three months ended July 31, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)

3 Asset acquisitions and business combination (continued)

The purchase price was determined based on IFRS 2 – Share Based Payments.

	Amount
	\$
Purchase price	
46,153,846 common shares	2,973,753
23,076,923 share purchase warrants	<u>1,710,157</u>
Total consideration paid	<u>4,683,910</u>
Consideration paid in excess of net assets acquired	<u>4,683,910</u>

New World Inc.

In July 2021, the Company closed its acquisition of 100% of New World Inc.'s ("New World") issued and outstanding securities pursuant to the terms of the share exchange agreement entered between the Company, New World and the shareholders of New World. The Company issued 46,153,846 units of the Company comprised of one common share of the Company and one share purchase warrant to New World shareholders. Each whole warrant is exercisable into one common share at a price of \$0.18 per common share for a period of 24 months. In addition, the shareholders of New World can earn additional bonus milestone based payments of up to \$13,000,000, also payable in units based on achieving minimum net profit percentage of 25% and achieving minimum net revenue of \$6,000,000 as at the end of 2022 with a minimum net profit percentage of 50%. The shareholders of New World can also earn an additional 15,000,000 common shares of the Company, based on New World entering into contractual relationships with a minimum of 100 artists by December 31, 2021. The share purchase warrants were accounted for as an equity instrument under IFRS 2 – Share Based Payments and recorded at fair value on the acquisition date using the Black-Scholes pricing model.

The acquisition of New World was accounted as a business combination and the purchase price was determined based on IFRS 2 – Share Based Payments.

	Amount
	\$
Purchase price	
46,153,846 common shares	2,130,070
46,153,846 share purchase warrants	<u>2,606,215</u>
Total consideration paid	<u>4,736,285</u>
Net liabilities acquired	
Cash and cash equivalents	357
Goods and Services Tax receivable	58,507
Accounts payable and accrued liabilities	(427,481)
Loans payable	<u>(120,500)</u>
Total identifiable net liabilities acquired	<u>(489,117)</u>
Goodwill arising on acquisition	<u>5,225,402</u>

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial statements

For the three months ended July 31, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)

3 Asset acquisitions and business combination (continued)

The Company is in the process of finalizing the purchase price allocation calculation and the final allocation might differ from the above classification.

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 \$
For the three months ended July 31, 2021			
Revenue from external customers	-	-	-
Segment loss	(5,776,509)	-	(5,776,509)
As at July 31, 2021			
Segment assets	15,852,894	2,403	15,855,297
Segment liabilities	1,254,195	17,727	1,271,922
	Graph Canada \$	Graph Korea \$	Consolidated totals \$
For the three months ended July 31, 2020			
Revenue from external customers	-	-	-
Segment loss	(147,381)	(10,152)	(157,533)
As at April 30, 2021			
Segment assets	11,749,396	2,445	11,751,841
Segment liabilities	764,365	18,039	782,404

The Company's revenue generating activities relate to the sale of COVID-19 related equipment and supplies. During the year ended April 30, 2021, the Company relied on one major customer, a company with certain directors in common with the Company (Note 10), for 87% of its revenues and the total amount due from this customer was \$405,570 as at July 31, 2021.

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial statements

For the three months ended July 31, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)

5 Property and equipment

	Computer equipment \$	Office equipment and furniture \$	Total \$
Cost			
Balance at April 30, 2020	40,220	2,616	42,836
Disposal	(17,400)	-	(17,400)
Cumulative translation adjustment ("CTA")	(308)	-	(308)
Balance at April 30, 2021 and July 31, 2021	22,512	2,616	25,128
Accumulated depreciation			
Balance at April 30, 2020	32,277	1,090	33,367
Depreciation	-	523	523
Disposal	(9,595)	-	(9,595)
CTA	(170)	-	(170)
Balance at April 30, 2021	22,512	1,613	24,125
Depreciation	-	131	131
Balance at July 31, 2021	22,512	1,744	24,256
Carrying amounts			
Balance at April 30, 2021	-	1,003	1,003
Balance at July 31, 2021	-	872	872

6 Digital assets

As at July 31, 2021 and April 30, 2021, the Company holds digital assets at cost as follows:

	July 31, 2021 \$	April 30, 2021 \$
Cardano	800,000	800,000
Chainlink	500,000	500,000
Pokadot	1,108,596	1,108,596
Tezos	818,552	-
	3,227,148	2,408,596

During the year ended April 30, 2021, the Company recognized an impairment loss of \$191,404 on its investment in Pokadot to reflect the market price at April 30, 2021 as a result of the drop in market price below cost for a significant period of time.

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial statements

For the three months ended July 31, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)

7 Net change in operating assets and liabilities

	Three months ended July 31, 2021	Three months ended July 31, 2020
	\$	\$
Cash flows provided by (used in)		
Trade and other receivables	42	5,704
Goods and Services Tax receivable	(81,190)	(16,237)
Inventory	-	(139,750)
Prepaid expenses and other assets	47,813	(8,414)
Accounts payable and accrued liabilities	101,537	(17,876)
	<u>68,202</u>	<u>(176,573)</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 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, 2020	143,284,581	9,564,871
Shares issued from private placements, net of fees	116,807,143	10,356,740
Shares issued for finders' fees	166,553	6,662
Shares issued for stock options exercised	17,800,000	2,381,152
Shares issued for warrants exercised	12,127,084	1,439,388
Shares issued for settlement of debts	7,720,080	193,002
Shares issued for acquisition of Babbage	60,000,000	2,585,850
Shares issued and outstanding at April 30, 2021	<u>357,905,441</u>	<u>26,527,665</u>
Shares issued for acquisition of Moon	46,153,846	2,973,753
Shares issued for acquisition of New World	46,153,846	2,130,070
Shares issued and outstanding at July 31, 2021	<u>450,213,133</u>	<u>31,631,488</u>

On April 1, 2018, the Company issued 2,421,952 common shares in escrow to an officer of the Company, vesting over eight quarterly instalments with April 1, 2018 as the first vesting date. During the 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 three months ended July 31, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)

8 Share capital and reserves (continued)

a) Common shares (continued)

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 \$48,504 resulting in net proceeds of \$301,496, of which \$301,496 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 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, of which \$130,000 was included in accounts payable and accrued liabilities and \$256,004 was included in related party loan payable, resulting in a gain on settlement of debts of \$193,002 for the year ended April 30, 2021. The creditors include a related party, Datametrex AI Limited, who has control of over 10% of the voting securities of the Company and received 5,120,080 common shares of the Company.

On February 17, 2021, the Company issued 60,000,000 units pursuant to the terms of the share exchange agreement related to the acquisition of Babbage valued at an aggregate amount of \$5,863,015 (Note 3). 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 \$126,000 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. Share issuance costs, including cash expenses, amounted to \$518,057 resulting in net proceeds of \$1,797,943, of which \$1,797,943 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 consolidated statement of financial position.

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial statements

For the three months ended July 31, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)

8 Share capital and reserves (continued)

a) Common shares (continued)

On March 26, 2021, the Company completed non-brokered private placement of 76,190,477 units to raise gross proceeds of \$10,000,000. Each unit was priced at a price of \$0.13125 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 \$0.175 for a period of five years from the date of issuance. In connection with the subscription, an aggregate of \$1,019,591 in finders' fees and 6,095,238 broker warrants were paid to finders. Each broker's warrant shall be exercisable into one common share at \$0.16406 for a period of five years from the closing date. Share issuance costs, including cash expenses, amounted to \$1,742,699 resulting in net proceeds of \$8,257,301, of which \$8,257,301 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 consolidated statement of financial position.

During the year ended April 30, 2021, 12,127,084 of warrants were exercised for gross proceeds of \$355,625.

During the year ended April 30, 2021, 17,800,000 of stock options were exercised for gross proceeds of \$563,500.

On June 9, 2021, the Company issued 46,153,846 units pursuant to the terms of the share exchange agreement related to the acquisition of Moon valued at an aggregate amount of \$4,683,910 (Note 3). Each unit is comprised of one common share and one half share purchase warrant. Each warrant is exercisable into one common share at a price of \$0.18 per common share for a period of 18 months.

On July 2, 2021, the Company issued 46,153,846 units pursuant to the terms of the share exchange agreement related to the acquisition of New World valued at an aggregate amount of \$4,736,285 (Note 3). Each unit is comprised of one common share and one share purchase warrant. Each warrant is exercisable into one common share at a price of \$0.18 per common share for a period of 24 months.

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, 2020	6,254,867	0.242
Warrants expired	(3,354,867)	0.13
Warrants issued in connection with private placements	118,861,933	0.15
Warrants issued in connection with Babbage acquisition	60,000,000	0.10
Warrants exercised	(12,127,084)	0.40
Warrants outstanding at April 30, 2021	169,634,849	0.13
Warrants issued in connection with Moon acquisition	23,076,923	0.18
Warrants issued in connection with New World acquisition	46,153,846	0.18
Warrants outstanding at July 31, 2021	238,865,618	0.15

Graph Blockchain Inc.

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(Unaudited)

8 Share capital and reserves (continued)

b) Warrants (continued)

The Company used the residual method to value non-broker warrants issued in connection with private placement completed on March 9, 2020, June 3, 2020, February 19, 2021 and March 26, 2021, 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%.

For brokers' warrants issued in connection with the private placement completed on February 19, 2021, the value was calculated using the Black-Scholes pricing model with the following assumptions: (i) risk-free annual interest rate – 0.18%; (ii) expected exercise price – \$0.10; (iii) expected life – 1.5 years; (iv) annualized volatility – 323%; and (v) expected dividend yield – 0%.

For brokers' warrants issued in connection with the private placement completed on March 26, 2021, the value was calculated using the Black-Scholes pricing model with the following assumptions: (i) risk-free annual interest rate – 0.93%; (ii) expected exercise price – \$0.16406; (iii) expected life – 5 years; (iv) annualized volatility – 230%; and (v) expected dividend yield – 0%.

As at July 31, 2021, the outstanding warrants had a remaining useful life of 2.48 years with a reserve balance of \$8,713,065 (April 30, 2021 – 3.04 years with a reserve balance of \$4,396,693).

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

Number of warrants	Exercise price	Expiry date
2,002,950	\$0.06	March 9, 2022
2,203,184	\$0.06	June 3, 2022
83,143,000	\$0.10	August 16, 2022
76,190,477	\$0.175	March 26, 2026
6,095,238	\$0.16406	March 26, 2026
23,076,923	\$0.18	December 9, 2022
46,153,846	\$0.18	July 2, 2023
238,865,618		

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8 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 of 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 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, 2020	-	-
Stock options granted	53,500,000	0.14
Stock options exercised	(17,800,000)	0.07
Stock options outstanding at April 30, 2021	35,700,000	0.17
Stock options cancelled	(7,250,000)	0.12
Stock options outstanding and exercisable at July 31, 2021	28,450,000	0.18

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%.

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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%.

On February 21, 2021, the Company granted incentive stock options to purchase a total of 4,000,000 common shares at an exercise price of \$0.285 per share for a period of two years to certain advisors of the Company. Accordingly, the Company recorded the estimated grant date fair value of \$1,098,116 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 \$0.285; exercise price of \$0.285; expected life of 2 years; expected volatility of 295%; risk free interest rate of 0.23%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

On March 6, 2021, the Company granted incentive stock options to purchase a total of 13,000,000 common shares at an exercise price of \$0.21 per share for a period of two years to certain management, directors and advisors of the Company. Accordingly, the Company recorded the estimated grant date fair value of \$2,764,581 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 \$0.22; exercise price of \$0.21; expected life of 2 years; expected volatility of 299%; risk free interest rate of 0.29%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

On March 29, 2021, the Company granted incentive stock options to purchase a total of 12,000,000 common shares at an exercise price of \$0.125 per share for a period of two years to certain management, directors and employees of the Company. Accordingly, the Company recorded the estimated grant date fair value of \$1,449,519 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 \$0.125; exercise price of \$0.125; expected life of 2 years; expected volatility of 300%; risk free interest rate of 0.24%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

As at July 31, 2021, the outstanding stock options had a remaining useful life of 1.61 years with a reserve balance of \$5,874,431 (April 30, 2021 – 1.84 years with a reserve balance of \$5,874,431).

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8 Share capital and reserves (continued)

c) Stock options (continued)

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

Number of options	Exercise price	Expiry date
2,200,000	\$0.095	January 13, 2023
4,000,000	\$0.285	February 21, 2023
11,000,000	\$0.21	March 6, 2023
11,250,000	\$0.125	March 29, 2023
28,450,000		

9 Net loss per share

For the three months ended July 31, 2021

Net loss	\$ (5,776,509)
Weighted average number of shares outstanding	398,540,892
Basic and diluted loss per share	<u>\$ (0.014)</u>

For the three months ended July 31, 2020

Net loss	\$ (157,533)
Weighted average number of shares outstanding	150,744,654
Basic and diluted loss per share	<u>\$ (0.001)</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 July 31, 2021 of 238,865,618 (2020 – 9,133,218) and 28,450,000 (2020 – Nil), respectively, have not been factored into the calculation as they are considered anti-dilutive.

The following table presents the maximum number of shares that would be outstanding if all dilutive and potentially dilutive instruments as described in Note 8 were exercised or converted as at July 31, 2021:

	Number
Common shares issued and outstanding	450,213,133
Warrants outstanding	238,865,618
Stock options outstanding	28,450,000
	<u>717,528,751</u>

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10 Related party transactions

a) Trade and other receivables

As at July 31, 2021, an amount of \$405,570 (April 30, 2021 - \$405,570) 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 July 31, 2021, an amount of \$2,200 (April 30, 2021 - \$4,300) included accounts payable and accrued liabilities is due to certain officers and a shareholder company of the Company.

c) Loans payable

During the year ended April 30, 2021, the Company issued 5,120,080 common shares for settlement of the loans payable valued at \$256,004 to a shareholder company (Note 8).

d) Compensation of key management personnel

Key management includes members of the Board and executive officers of the Company. Compensation awarded to key management is listed below:

	Three months ended July 31, 2021	Three months ended July 31, 2020
	\$	\$
Accounting fees included in other operating expenses	36,000	2,000
Consulting fees included in other operating expenses	55,500	32,000
Management fees	-	39,000
	<u>91,500</u>	<u>73,000</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 July 31, 2021, the Company's financial instruments are comprised of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities and loans payable. The amounts reflected in the statement of financial position are carrying amounts and approximate their fair values due to their short-term nature.

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11 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 July 31, 2021, one customer, a company with certain directors in common with the Company, comprised 100% of trade receivables (April 30, 2021 – one customer, 100%) and the impairment allowance relating to trade and other receivables is \$Nil (April 30, 2021 - \$Nil).

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.

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Notes to Interim Condensed Consolidated Financial statements

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11 Financial instruments and risk management (continued)

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	742,404	-	-	742,404
Loan payable	-	-	40,000	40,000
Balance at April 30, 2021	742,404	-	40,000	782,404

	12 months \$	1 to 2 years \$	2 to 5 years \$	Total \$
Accounts payable and accrued liabilities	1,271,422	-	-	1,271,422
Loans payable	500	-	-	500
Balance at July 31, 2021	1,271,922	-	-	1,271,922

Foreign currency risk

The Company is exposed to foreign currency risk from currency exposures to Canadian dollars. The main currency to which the Company has an exposure is the Korean Won. The Company is exposed to currency risk to the extent of the operations of its South Korean branch. The Company does not hedge its exposure to fluctuations in the related foreign exchange rates.

Based on the Company's net Korean Won currency exposure at July 31, 2021, and assuming all other variables remain constant, a 10% weakening or strengthening of the Canadian dollar against the Korean Won would result in an increase/decrease of approximately \$74,000 in comprehensive income/loss for the period.

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.

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12 Capital management

The Company defines its capital as its shareholders' equity in the amount of \$14,583,375 and loans payable of \$500. 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 three months ended July 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 Annual General Meeting ("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 July 31, 2021, no shares have been issued to the financial advisor (April 30, 2021 – Nil).

14 Contingency

On March 2, 2021, a Notice of Civil Claim ("Claim") was filed against the Company in the Supreme Court of British Columbia related to specific performance of an agreement between the Company and a strategic advisor. Pursuant to the Claim, the strategic advisor is requesting the Company to pay \$23,400, issue 3,600,000 common shares of the Company and issue stock options equal to 2.5% of the total fully diluted common shares outstanding of the Company. The Company has filed its Response to Civil Claim in the Action and Reply in the Action on April 23, 2021 and May 5, 2021, respectively, and no further action has been taken at this time. The Company believes the Claim is without merit and plans to vigorously defend its position.

15 Loans payable

During the year ended April 30, 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. During the three months ended July 31, 2021, the Company repaid the principal balance of \$30,000 and recognized the remaining balance of \$10,000 in gain on settlement of debts.

On July 2, 2021, the Company acquired loans payable from third party creditors of \$120,500 pursuant to the acquisition of New World (Note 3). These loans are unsecured, non-interest bearing and repayable on demand. During the three months ended July 31, 2021, the Company repaid \$120,000. As at July 31, 2021, the loans payable balance was \$500 (30 April 2021 - \$Nil).

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16 Subsequent events

In August 2021, the Company closed its acquisition of 100% of Optimum Coin Analyser Inc.'s ("Optimum") issued and outstanding securities pursuant to the terms of the share exchange agreement entered between the Company, Optimum and the shareholders of Optimum. The Company issued 71,428,571 units of the Company comprised of one common share of the Company and one share purchase warrant to Optimum shareholders at a deemed price of \$0.07 per unit for an aggregate purchase price of \$5,000,000. Each whole warrant is exercisable into one common share at a price of \$0.09 per common share for a period of 24 months.

On August 31, 2021, 60,000 of warrants were exercised for gross proceeds of \$3,600.

On September 23, 2021, the Company granted incentive stock options to purchase a total of 16,350,000 common shares at an exercise price of \$0.05 per share for a period of two years to certain management, directors and advisors of the Company.