

Graph Blockchain Inc.

Interim Condensed Consolidated Financial Statements **For the Three and Nine Months Ended January 31, 2022 and 2021** (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, 2022 \$	April 30, 2021 \$
Assets		
Current assets		
Cash and cash equivalents	5,376,748	8,802,843
Trade and other receivables (Note 10)	427,913	418,015
Goods and Services Tax receivable	356,652	40,101
Prepaid expenses and other assets	-	81,283
Total current assets	6,161,313	9,342,242
Property and equipment, net (Note 5)	196,158	1,003
Digital assets (Note 6)	1,513,194	2,408,596
Goodwill (Note 3)	16,451,430	-
Total assets	24,322,095	11,751,841
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	820,194	742,404
Loans payable (Note 15)	500	-
	820,694	742,404
Loans payable (Note 15)	-	40,000
Total liabilities	820,694	782,404
Shareholders' equity		
Share capital (Note 8)	37,292,747	26,527,665
Reserves (Note 8)	21,197,718	10,271,124
Accumulated other comprehensive income	8,435	1,165
Accumulated deficit	(34,997,499)	(25,830,517)
Total shareholders' equity	23,501,401	10,969,437
Total liabilities and shareholders' equity	24,322,095	11,751,841
Commitments (Note 13)		
Contingency (Note 14)		
Subsequent event (Note 16)		

Signed "Paul Haber" Director

Signed "Young Cho Lee" 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 January 31, 2022	Three months ended January 31, 2021	Nine months ended January 31, 2022	Nine months ended January 31, 2021
	\$	\$	\$	\$
Sales	338,419	20,356	338,419	417,407
Cost of sales	(273,428)	(2,325)	(273,428)	(301,573)
Gross profit	64,991	18,031	64,991	115,834
Expenses				
Salaries, benefits and management fees (Note 10)	80,051	-	156,037	51,224
Office and general	7,987	14,664	107,384	27,983
Other operating expenses (Note 10)	503,971	136,655	2,920,913	418,406
Depreciation (Note 5)	47,804	131	54,845	393
Loss on disposal of assets	-	-	-	7,805
Share-based compensation (Notes 8 and 10)	-	1,619,867	781,156	1,619,867
	639,813	1,771,317	4,020,335	2,125,678
Loss before other income (expenses)	(574,822)	(1,753,286)	(3,955,344)	(2,009,844)
Other income (expenses)				
Interest expenses	-	(25)	-	(2,380)
Foreign exchange loss	(2,865)	(39,757)	(7,040)	(46,896)
Gain on sale of digital assets (Note 6)	-	-	703,765	-
Gain on settlement of debts (Notes 8 and 15)	-	-	10,000	193,002
Other income	20,000	-	45,052	-
Impairment of digital assets (Note 6)	(1,279,505)	-	(1,279,505)	-
Consideration paid in excess of net assets acquired from acquisition (Note 3)	-	-	(4,683,910)	-
Net loss	(1,837,192)	(1,793,068)	(9,166,982)	(1,866,118)
Other comprehensive income				
Foreign exchange translation adjustment	6,636	2,856	7,270	3,429
Comprehensive loss	(1,830,556)	(1,790,212)	(9,159,712)	(1,862,689)
Basic and diluted loss per share (Note 9)	(0.004)	(0.011)	(0.019)	(0.012)
Weighted average number of common shares (Note 9)	523,962,574	164,108,684	475,183,804	157,552,128

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 Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	Number	Amount \$	Reserves \$			
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)
Foreign exchange translation	-	-	-	-	3,429	3,429
Net loss for the period	-	-	-	(1,866,118)	-	(1,866,118)
Balance – January 31, 2021	168,683,580	10,455,718	1,974,698	(12,366,962)	559	64,013
Balance – April 30, 2021	357,905,441	26,527,665	10,271,124	(25,830,517)	1,165	10,969,437
Shares issued for warrants exercised	60,000	4,571	(971)	-	-	3,600
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
Shares issued for Optimum Coin Analyser Inc. acquisition	71,428,571	4,261,897	5,830,037	-	-	10,091,934
Shares issued for Niftable Inc. acquisition	52,000,000	1,394,791	-	-	-	1,394,791
Share-based compensation	-	-	781,156	-	-	781,156
Foreign exchange translation	-	-	-	-	7,270	7,270
Net loss for the period	-	-	-	(9,166,982)	-	(9,166,982)
Balance – January 31, 2022	573,701,704	37,292,747	21,197,718	(34,997,499)	8,435	23,501,401

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, 2022 \$	Nine months ended January 31, 2021 \$
Cash flows used in operating activities		
Net loss	(9,166,982)	(1,866,118)
Adjustments to reconcile net loss to operating cash flow		
Depreciation	54,845	393
Gain on sale of digital assets	(703,765)	-
Gain on settlement of debts	(10,000)	(193,002)
Impairment of digital assets	1,279,505	-
Loss on disposal of assets	-	7,805
Consideration paid in excess of net assets acquired from acquisition	4,683,910	-
Share-based compensation	781,156	1,619,867
Net change in operating assets and liabilities (Note 7)	<u>(530,100)</u>	<u>(52,571)</u>
	<u>(3,611,431)</u>	<u>(483,626)</u>
Cash flows provided by investing activities		
Purchase of digital assets	(1,184,103)	-
Purchase of property and equipment	(112,531)	-
Proceeds from sale of digital assets	1,503,765	-
Acquisition of New World Inc., net of cash received	357	-
Acquisition of Optimum Coin Analyser Inc., net of cash received	111,492	-
Acquisition of Niftable Inc., net of cash received	5,486	-
	<u>324,466</u>	<u>-</u>
Cash flows (used in) from financing activities		
Proceeds from issuance of share capital, net	-	323,258
Proceeds from exercise of options	-	250,000
Proceeds from exercise of warrants	3,600	50,742
Loans payable	(150,000)	40,000
	<u>(146,400)</u>	<u>664,000</u>
Effect of exchange rate changes on cash and cash equivalents	7,270	2,491
Decrease in cash and cash equivalents	(3,426,095)	182,865
Cash and cash equivalents, beginning of period	8,802,843	105,252
Cash and cash equivalents, end of period	<u>5,376,748</u>	<u>288,117</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, 2022 and 2021

(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 and the potential significant gains that can come in that area. In addition, through its investment in New World Inc. and Niftable Inc. the Company is providing its shareholders with exposure to the rapidly growing and emerging Non-Fungible Token (“NFT”) market.

The Company is a publicly traded corporation, incorporated in the province of British Columbia, and its head office is located at 2300 Yonge St., Suite 2802, Toronto, Ontario, M4P 1E4 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 nine months ended January 31, 2022, 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 March 28, 2022. These interim condensed consolidated financial statements are presented in Canadian dollars which is also the Company’s functional currency. The Company has the following 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., New World Inc., Optimum Coin Analyser Inc. and Niftable 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 nine months ended January 31, 2022 and 2021

(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., New World Inc., Optimum Coin Analyser Inc., and Niftable 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 nine months ended January 31, 2022 and 2021

(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 nine months ended January 31, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited)

3 Asset acquisitions and business combinations

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 nine months ended January 31, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited)

3 Asset acquisitions and business combinations (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 (preliminary)	
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 (preliminary)	<u>5,225,402</u>

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial statements

For the nine months ended January 31, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited)

3 Asset acquisitions and business combinations (continued)

Optimum Coin Analyser Inc.

In August 2021, the Company closed its acquisition of 100% of Optimum Coin Analyser Inc.'s ("Optimum Coin") issued and outstanding securities pursuant to the terms of the share exchange agreement entered between the Company, Optimum Coin and the shareholders of Optimum Coin. 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 Coin shareholders. Each whole warrant is exercisable into one common share at a price of \$0.09 per common share for a period of 24 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 Optimum Coin was accounted as a business combination and the purchase price was determined based on IFRS 2 – Share Based Payments.

	Amount
	\$
Purchase price	
71,428,571 common shares	4,261,897
71,428,571 share purchase warrants	<u>5,830,037</u>
Total consideration paid	<u>10,091,934</u>
Net liabilities acquired (preliminary)	
Cash and cash equivalents	111,492
Goods and Services Tax receivable	6,250
Property and equipment	<u>137,469</u>
Total identifiable net liabilities acquired	<u>255,211</u>
Goodwill arising on acquisition (preliminary)	<u>9,836,723</u>

Niftable Inc.

In January 2022, the Company closed its acquisition of 100% of Niftable Inc.'s ("Niftable") issued and outstanding securities pursuant to the terms of the share exchange agreement entered between the Company, Niftable and the shareholders of Niftable. The Company issued 52,000,000 common shares of the Company to Niftable shareholders.

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

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial statements

For the nine months ended January 31, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited)

3 Asset acquisitions and business combinations (continued)

	Amount \$
Purchase price	
52,000,000 common shares	1,394,790
Total consideration paid	1,394,790
Net liabilities acquired (preliminary)	
Cash and cash equivalents	5,486
Total identifiable net liabilities acquired	5,486
Goodwill arising on acquisition (preliminary)	1,389,304

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

4 Operating segments and major customers

The Company has two geographic segments to these interim condensed consolidated financial statements.

Segment information of the Company is summarized as follows:

	Graph Canada \$	Graph Korea \$	Consolidated totals \$
For the nine months ended January 31, 2022			
Revenue from external customers	338,419	-	338,419
Segment loss	(9,166,982)	-	(9,166,982)
As at January 31, 2022			
Segment assets	24,319,752	2,343	24,322,095
Segment liabilities	803,409	17,285	820,694
	Graph Canada \$	Graph Korea \$	Consolidated totals \$
For the nine months ended January 31, 2021			
Revenue from external customers	417,407	-	417,407
Segment loss	(1,855,836)	(10,282)	(1,866,118)
As at April 30, 2021			
Segment assets	11,749,396	2,445	11,751,841
Segment liabilities	764,365	18,039	782,404

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial statements

For the nine months ended January 31, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited)

4 Operating segments and major customers (continued)

The Company's revenue generating activities in 2020/2021 relate to the sale of COVID-19 related equipment and supplies. For the current period ended January 31, 2022, the Company had revenue generating activities from New World's NFT market.

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 January 31, 2022.

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	22,512	2,616	25,128
Additions (Note 3)	250,000	-	250,000
Balance at January 31, 2022	272,512	2,616	275,128
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	54,453	392	54,845
Balance at January 31, 2022	76,965	2,005	78,970
Carrying amounts			
Balance at April 30, 2021	-	1,003	1,003
Balance at January 31, 2022	195,547	611	196,158

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial statements

For the nine months ended January 31, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited)

6 Digital assets

As at January 31, 2022 and April 30, 2021, the Company holds digital assets at cost as follows:

	January 31, 2022	April 30, 2021
	\$	\$
Cardano	-	800,000
Chainlink	274,125	500,000
Pokadot	590,150	1,108,596
Tezos	444,000	-
Others	204,919	-
	<u>1,513,194</u>	<u>2,408,596</u>

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.

During the nine months ended January 31, 2022, the Company recognized an impairment loss of \$1,279,505 on its investments in digital assets to reflect the market prices at January 31, 2022.

During the nine months ended January 31, 2022, the Company disposed of its holdings in Cardano for proceeds of \$1,503,765 resulting in a gain of \$703,765.

7 Net change in operating assets and liabilities

	Nine months ended January 31, 2022	Nine months ended January 31, 2021
	\$	\$
Cash flows provided by (used in)		
Trade and other receivables	(9,898)	(422,921)
Goods and Services Tax receivable	(251,794)	-
Inventory	-	(23,417)
Prepaid expenses and other assets	81,283	(5,400)
Accounts payable and accrued liabilities	(349,691)	399,167
	<u>(530,100)</u>	<u>(52,571)</u>

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial statements

For the nine months ended January 31, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited)

8 Share capital and reserves

a) Common shares

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

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	357,905,441	26,527,665
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 for acquisition of Optimum Coin	71,428,571	4,261,897
Shares issued for acquisition of Niftable	52,000,000	1,394,791
Shares issued for warrants exercised	60,000	4,571
Shares issued and outstanding at January 31, 2022	573,701,704	37,292,747

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.

On August 24, 2021, the Company issued 71,428,571 units pursuant to the terms of the share exchange agreement related to the acquisition of Optimum Coin valued at an aggregate amount of \$10,091,934 (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 \$0.09 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 January 27, 2022, the Company issued 52,000,000 common shares pursuant to the terms of the share exchange agreement related to the acquisition of Niftable valued at \$1,394,791 (Note 3).

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8 Share capital and reserves (continued)

b) Warrants

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 issued in connection with Optimum Coin acquisition	71,428,571	0.09
Warrants exercised	(60,000)	0.06
Warrants outstanding at January 31, 2022	310,234,189	0.13

The Company used the residual method to value non-broker warrants issued in connection with private placements, 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.

As at January 31, 2022, the outstanding warrants had a remaining useful life of 1.88 years with a reserve balance of \$14,542,131 (April 30, 2021 – 3.04 years with a reserve balance of \$4,396,693).

As at January 31, 2022, the following warrants were outstanding:

Number of warrants	Exercise price	Expiry date
1,942,950	\$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
71,428,571	\$0.09	August 24, 2023
310,234,189		

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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.

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 granted	16,350,000	0.05
Stock options cancelled	(7,250,000)	0.12
Stock options outstanding and exercisable at January 31, 2022	44,800,000	0.13

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 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, employees and consultants of the Company. Accordingly, the Company recorded the estimated grant date fair value of \$781,156 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 \$0.05; exercise price of \$0.05; expected life of 2 years; expected volatility of 284%; risk free interest rate of 0.50%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

As at January 31, 2022, the outstanding stock options had a remaining useful life of 1.30 years with a reserve balance of \$6,655,587 (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 January 31, 2022, 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
16,350,000	\$0.05	September 23, 2023
44,800,000		

9 Net loss per share

For the nine months ended January 31, 2022

Net loss	\$ (9,166,982)
Weighted average number of shares outstanding	475,183,804
Basic and diluted loss per share	<u>\$ (0.019)</u>

For the nine months ended January 31, 2021

Net loss	\$ (1,862,689)
Weighted average number of shares outstanding	157,552,128
Basic and diluted loss per share	<u>\$ (0.012)</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, 2022 of 310,234,189 (2021 – 8,287,518) and 44,800,000 (2021 – 19,500,000), 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 January 31, 2022:

	Number
Common shares issued and outstanding	573,701,704
Warrants outstanding	310,234,189
Stock options outstanding	44,800,000
	<u>928,735,893</u>

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10 Related party transactions

a) Trade and other receivables

As at January 31, 2022, 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 January 31, 2022, an amount of \$21,150 (April 30, 2021 - \$4,300) included accounts payable and accrued liabilities is due to certain officers, directors and/or companies controlled by them.

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:

	Nine months ended January 31, 2022 \$	Nine months ended January 31, 2021 \$
Accounting fees included in other operating expenses	116,000	2,000
Consulting fees included in other operating expenses	189,000	146,000
Management fees	-	51,224
Share-based compensation	692,768	1,367,390
	<u>997,768</u>	<u>1,566,614</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, 2022, 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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12 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 January 31, 2022, one customer, a company with certain directors in common with the Company, comprised 95% 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:

	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	820,194	-	-	820,194
Loans payable	500	-	-	500
Balance at January 31, 2022	820,694	-	-	820,694

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 January 31, 2022, 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 \$72,000 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.

12 Capital management

The Company defines its capital as its shareholders' equity in the amount of \$23,501,401 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 nine months ended January 31, 2022.

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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 January 31, 2022, 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"). During the nine months ended January 31, 2022, 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 nine months ended January 31, 2022, the Company repaid \$120,000. As at January 31, 2022, the loans payable balance was \$500 (April 30, 2021 - \$Nil).

16 Subsequent event

In March 2022, the Company partnered with Ronaldinho for the official global launch of the augmented reality NFT platform. As part of the agreement, the Company issued 4,000,000 common shares of the Company.