

Graph Blockchain Inc

Management's Discussion and Analysis

For the nine months ended January 31, 2023 and 2022
(Expressed in Canadian dollars)

Graph Blockchain Inc.

Management's Discussion and Analysis for the Nine Months Ended January 31, 2023 and 2022

The following management, discussion and analysis, prepared as of March 17, 2023, provides information that management believes is relevant to an assessment and understanding of the results of operations and financial condition of Graph Blockchain Inc. ("Graph" or the "Company"). The Management's Discussion and Analysis ("MD&A") should be read in conjunction with the interim condensed consolidated financial statements of the Company for the nine months ended January 31, 2023 and the audited consolidated financial statements of the Company for the year ended April 30, 2022. Unless otherwise noted, all financial information in the MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

Forward Looking Statements

This MD&A contains or incorporates forward-looking statements within the meaning of Canadian Securities legislation (collectively, "forward-looking statements"). These forward-looking statements relate to, among other things, revenue, earnings, changes in cost and expenses, capital expenditures and other objectives, strategic plans and business development goals, and may also include other statements that are predictive in nature or that depend upon or refer to future events or conditions, and can generally be identified by words such as "may", "will", "expects", "anticipates", "intends", "plans", "believes", "estimates" or similar expressions. In addition, any statements that refer to expectations, projections, or other characterizations of future events or circumstances are forward looking statements. These statements are not historical facts but instead represent only the Company's expectations, estimates, and projections regarding future events.

Although the Company believes the expectations reflected in such forward-looking statements are reasonable, such statements are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. Undue reliance should not be placed on such statements. Certain material assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements.

The forward-looking statements contained in this MD&A are made as at the date of this MD&A and, accordingly, are subject to change after such date. Except as required by law, the Company, does not undertake any obligation to update or revise any forward-looking statements made or incorporated in this MD&A, whether as a result of new information, future events or otherwise.

Selected Financial Information

Non-GAAP Measures

Management believes that EBITDA and Adjusted EBITDA are effective measures for analyzing the performance of the Company. The term "EBITDA" refers to earnings before deducting interest, taxes, depreciation and amortization. The Company calculates Adjusted EBITDA as net loss before deducting interest and accretion, taxes, depreciation and amortization, listing expense, other reverse take-over fees, acquisition related costs, share-based compensation and consideration paid in excess of net assets acquired. "EBITDA" and "Adjusted EBITDA" are both non-GAAP measures under IFRS and does not have a standardized meaning under IFRS, and therefore the measure as calculated by the Company may not be comparable to similarly-titled measures reported by other companies. The Company believes that Adjusted EBITDA is useful additional information to management, the Board and investors as it provides an indication of the operational results generated by its business activities prior to taking into consideration how those activities are financed and taxed and also prior to taking into consideration asset depreciation and amortization and it excludes items that could affect the comparability of our operational results and could potentially alter the trends analysis in business performance. Excluding these items does not necessarily imply they are non-recurring, infrequent or unusual. Adjusted EBITDA is also used by some investors and analysts for the purpose of valuing a company. Investors are cautioned that Adjusted EBITDA should not be construed as an alternative to operating earnings or net earnings determined in accordance with IFRS as an indicator of the Company's financial performance or as a measure of the Company's liquidity and cash flows. Adjusted EBITDA does not take into account the impact of working capital changes, capital expenditures, debt principal reductions and other sources and uses of cash, which are disclosed in the consolidated statement of cash flows.

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The following table reconciles income from operations to EBITDA and Adjusted EBITDA for the three and nine months ended January 31, 2023 and 2022:

	Three months ended January 31, 2023	Three months ended January 31, 2022	Nine months ended January 31, 2023	Nine months ended January 31, 2022
Net loss	(5,268,475)	(1,837,192)	(7,525,848)	(9,166,982)
Depreciation and amortization	131	47,804	124,964	54,845
Interest income	(346)	-	(39,960)	-
EBITDA	(5,268,690)	(1,789,388)	(7,440,844)	(9,112,137)
Share-based compensation	-	-	-	781,156
Consideration paid in excess of net assets acquired- Beyond the Moon Inc.	-	-	-	4,683,910
Impairment on goodwill and intangibles	5,270,235	-	5,270,235	-
Unrealized gain on other long-term liability	(900,000)	-	(900,000)	-
Unrealized loss on short-term investments	84,000	-	84,000	-
Adjusted EBITDA	(814,455)	(1,789,388)	(2,986,609)	(3,647,071)
Weighted average number of common shares	57,770,118	52,396,257	57,770,118	47,518,380
Adjusted EBITDA per share	(0.014)	(0.034)	(0.052)	(0.077)

Please refer to the Summary of Operations section in this MD&A for further details and other financial information.

Business Overview

Graph Blockchain Inc. is a technology company that provides shareholders with exposure to various areas of Decentralized Finance (DeFi) through several wholly owned subsidiaries, Babbage Mining Corp., Beyond The Moon Inc., New World Inc., Optimum Coin Analyser Inc. and Niftable Inc.

Babbage Mining Corp. focuses on altcoins, alternative cryptocurrencies to Bitcoin. Graph was one of the first publicly tradable altcoin Proof of Stake ("POS") miners, which generates income while providing exposure to several top digital assets by market capitalization. By mining altcoins through Proof of Stake, Babbage can provide to its investor's exposure to the emerging market of cryptocurrencies with the significant technological disruption and potential gains that altcoins represent. In addition, Beyond the Moon Inc. manages the process of entering crypto launchpads by helping to facilitate the access to early-stage crypto tokens which provide the first public investment round, called an Initial DEX Offering ("IDO") and New World Inc. is an augmented reality art-focused Non-Fungible Token ("NFT") company that allows creators, musicians and celebrities to have access to an NFT distribution canvas to create and sell digital art. Coin Optimizer Inc., provides software as a service to help cryptocurrency traders better read signals and analysis to generate superior trading returns. The Company's latest acquisition Niftable Inc.'s core business is to connect charities and their artists to the NFT world.

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.

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Summary of Financial Results

Expenses

For the nine months ended January 31, 2023, the Company incurred \$2,662,125 (2022 - \$3,316,570) of operating expenses. Significant items are noted:

- Salaries, benefits and management fees of \$827,304 (2022 - \$156,037) increased mainly as a result of increased number of employees and management personnel due to a series of acquired entities.
- Office and general of \$297,187 (2022 - \$107,384) increased mainly due to corporate overhead costs as a direct result of increase in operating activities.
- Other operating expenses in the amount of \$1,412,053 (2022 - \$2,920,913) decreased as prior year had various marketing campaigns and consulting/professional fees mainly related to the acquisitions.

For the three months ended January 31, 2023, the Company incurred \$834,244 (2022 - \$2,662,125) of operating expenses, mainly due to consulting fee accruals included in the other operating expenses.

Summary of Quarterly Results

The following is a summary of the Company's quarterly results, beginning with the three months ended April 30, 2021 ("Q4 - 21").

	Q3 - 23	Q2 - 23	Q1 - 23	Q4 - 22	Q3 - 22	Q2 - 22	Q1 - 22	Q4 - 21
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenue (loss)	-	1,121	-	(293,677)	338,419	-	-	15,808
Net loss	(5,268,475)	(957,239)	(1,300,134)	(14,877,863)	(1,837,192)	(1,553,281)	(5,776,509)	(13,463,555)
Net loss per share	(0.091)	(0.017)	(0.023)	(0.271)	(0.040)	(0.030)	(0.140)	(0.470)
EBITDA	(5,268,690)	(901,517)	(1,270,637)	(14,732,582)	(1,789,388)	(1,546,371)	(5,776,378)	(13,463,414)
Adjusted EBITDA	(814,455)	(901,517)	(1,270,637)	(1,467,772)	(1,789,388)	(1,546,371)	(1,092,468)	(868,083)
Adjusted EBITDA per share	(0.014)	(0.016)	(0.022)	(0.018)	(0.040)	(0.030)	(0.030)	(0.030)

During the quarter ended April 30, 2021, the increase in net loss to \$13,463,555 was mainly a result of share-based compensation of \$6,732,216 related to the granting of stock options to certain management, directors, employees and advisors of the Company and exercising of 660,000 warrants at a price of \$1.00 per share. In addition, the Company recognized consideration paid in excess of net assets acquired of \$5,863,115 related to the acquisition of 100% of Babbage Mining Corp. pursuant to the terms of a share exchange agreement.

During the quarter ended July 31, 2021, the increase in net loss to \$5,776,509 was mainly a result of conducting marketing campaign and investor relation activities. In addition, the Company recognized consideration paid in excess of net equity acquired related to the acquisition of Beyond the Moon Inc. pursuant to the terms of a share exchange agreement.

During the quarter ended January 31, 2022, the Company recorded revenues in the amount of \$338,419 from the sale of NFT and art work.

During the quarter ended April 30, 2022, the Company reclassified sales related to art work to other income resulted a negative balance in revenue account.

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During the quarter ended April 30, 2022, the increase in net loss to \$14,877,863 is mainly due to Company recognized consideration paid in excess of net equity acquired related to the acquisition of Beyond the Moon Inc., Optimum Coin Analyser Inc. and Niftable Inc.

During the quarter ended January 31, 2023, the increase in net loss to \$5,268,475 was mainly due to \$5,270,235 impairment of goodwill and intangibles, offset by \$900,000 unrealized gain on other long-term liability. This is due to Company decided to put New World's operation on hold and laid off majority of its employees. As a result, the Company conducted an impairment assessment of its goodwill and intangible assets related to New World's artist relationship and technology. Based on the assessment, the Company determined that the carrying value of the goodwill and intangibles were fully impaired, therefore, recognized a total impairment loss of \$5,270,235. Additionally, the Company reversed \$900,000 other long-term liability representing contingent consideration in shares related to New World acquisition as the terms of the payment were not met.

Liquidity, Capital Resources, and Cash Flow

The Company has financed its operations to date through the issuance of common shares and warrants. The Company continues to seek capital through various means including the issuance of equity. The consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

For the nine months ended January 31, 2023, net cash used in operating activities was \$2,839,858 (2022 – \$3,611,431), net cash used in investing activities was \$304,063 (2022 – cash inflow of \$324,466) and net cash used in financing activities was \$Nil (2022 –\$146,400).

The consolidated financial statements were prepared on a going concern basis under the historical cost basis of accounting. As at January 31, 2023, the Company has an accumulated deficit of \$57,401,210 (April 30, 2022 - \$49,875,362). For the nine months ended January 31, 2023, the Company recognized a net loss of \$7,525,848 (2022 - \$9,166,982) and had net cash outflows from operating activities of \$2,839,858 (2022 - \$3,611,431).

Related Party Transactions

a) Short-term investments and unrealized loss on short-term investments

Short-term investments represent shares subscription from ScreenPro Security Inc., a company with certain officers and directors in common with the Company.

b) Trade and other receivables

As of January 31, 2023, an amount of \$397,355 (April 30, 2022 - \$405,570) included in trade and other receivables is due from two companies with certain officers and directors in common with the Company.

c) Accounts payable and accrued liabilities

As of January 31, 2023, an amount of \$504,000 (April 30, 2022 - \$150,159) included in accounts payable and accrued liabilities is due to certain officers and directors of the Company.

d) Intangible assets

As of January 31, 2023, the Company paid a deposit of \$250,000 to Nexalogy Environics Inc. related to software development, a company controlled by certain officers and directors in common.

e) Other income

During the nine months ended January 31, 2023, the Company recognized \$54,000 (2022 - \$Nil) related to consulting fees charged to companies with certain officers and directors in common with the Company.

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f) Compensation of key management personnel

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

	Nine months ended January 31, 2023	Nine months ended January 31, 2022
	\$	\$
Accounting fees included in other operating expenses	-	116,000
Consulting fees included in other operating expenses	688,000	189,000
Share-based compensation	-	692,768
Salaries and benefits	280,803	-
	968,803	997,768

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. 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 Company also entered into a service agreement with the advisor to make monthly payment of \$15,000 in stock at a deemed price of \$0.50 per share for a period of 12 months. Pursuant to the Claim, the strategic advisor is requesting the Company to pay \$23,400, issue 360,000 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. In September 2022, the Company signed a settlement agreement with the advisor and paid \$80,000 as final settlement.

Outstanding Share Information

The Company is authorized to issue an unlimited number of common shares with no par value. As at the date this MD&A is prepared, the Company had 57,770,118 common shares issued and outstanding, 19,986,799 warrants issued and 2,760,000 stock options issued.

Risk Factors

The Company is exposed to a number of risks and uncertainties that are common to other companies engaged in the same or similar businesses. Material risks that could significantly affect the financial condition, operating results or business of the Company remain unchanged from those listed in our annual MD&A.

Other Information

Additional information regarding the Company is available www.graphblockchain.com and on SEDAR at www.sedar.com