

# **Graph Blockchain Inc.**

## **Consolidated Financial Statements** **For the Years Ended April 30, 2023 and 2022** (Expressed in Canadian dollars, unless otherwise noted)

### **Consolidated Financial Statements**

Consolidated Statements of Financial Position	6
Consolidated Statements of Net Loss and Comprehensive Loss	7
Consolidated Statements of Changes in Shareholders' Equity	8
Consolidated Statements of Cash Flows	9
Notes to Consolidated Financial Statements	10-35



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August 25, 2023  
Edmonton, Alberta

## **INDEPENDENT AUDITOR'S REPORT**

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To the Shareholders of Graph Blockchain Inc.

### **Opinion**

We have audited the consolidated financial statements of Graph Blockchain Inc. (the Company), which comprise the consolidated statements of financial position as at April 30, 2023 and 2022, the consolidated statements of net loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at April 30, 2023 and 2022, and the consolidated financial performance and consolidated cash flow for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### **Basis for Opinion**

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

### **Emphasis of Matter - Material Uncertainty Relating to Going Concern**

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$8,396,781 and had a net cash outflows from operating activities of \$3,052,604 during the year ended April 30, 2023. As stated in Note 1, these events or conditions, along with other matters as set forth in the notes to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. This matter was addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

In addition to the matter described in the Emphasis of Matter - Material Uncertainty Related to Going Concern section, we have determined that matters described below to be key audit matters to be communicated in our auditor's report.

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Independent Auditor's Report to the Shareholders of Graph Blockchain Inc. *(continued)*

***Impairment assessment of goodwill and intangible assets***

We refer to financial statement summary of significant accounting policies in Note 2 and related disclosures in Notes 3 and 7.

During the year ended April 30, 2023, the Company recognized an impairment loss on its goodwill and intangible assets in the amount of \$5,270,235. The Company reviews for indicators of impairment at each statement of financial position date and when events or changes in circumstances indicate that the intangible assets may be impaired. We consider the Company's impairment assessment of the goodwill and intangible assets as a key audit matter.

This impairment test is significant to our audit because the Company identified indicators of impairment for its goodwill and intangible assets, resulting in a significant impairment expense being recognized. In addition, management's assessment process is complex and highly judgmental and is based on assumptions, specifically forecasted future cash flows and discount rates, giving rise to high estimation uncertainty.

To address the risk for material misstatement on the impairment assessment of the goodwill and intangible assets, our audit procedures included, amongst other procedures:

- Evaluated the reasonableness of the Company's cash flows by comparing projections to, among others, historical expenses and operations and current business plans.
- Assessed the assumptions, methodologies and data used by the Company, in particular those relating to forecasted cash flows and discount rates.
- Tested the completeness and accuracy of the underlying data used in the Company's valuation model.
- Performed analysis on significant management assumptions used in the valuation model.

We assessed the adequacy of the Company's presentation and disclosures related to the impairment assessment of the goodwill and intangible assets.

***Existence, ownership and valuation of digital assets***

We refer to financial statement summary of significant accounting policies on in Note 2 and related disclosures in Note 6.

At April 30, 2023, the Company held digital assets in the amount of \$689,241. We considered this a key audit matter due to the magnitude of the digital assets and the audit effort involved in testing the existence, ownership and valuation of digital assets.

Our procedures included, but were not limited to, the following:

- Evaluated the design and tested the operating effectiveness of certain service organization controls over digital currencies performed at the external custodian.
- Assessed the Service Organization Controls Report (the "SOC Report") of the third-party custodian attesting to the appropriateness and effectiveness of the internal control systems established by the custodian and to assess the design and operating effectiveness of the Company's complementary user entity controls.
- Tested the reconciliation of opening to closing digital asset balances, including comparing a sample of the additions and disposals to records on the public blockchain.
- Recalculated the fair value of the digital asset held using market pricing data.
- Observed the performance of the transfer of a small amount of digital assets from the Company's wallet with the custodian to a different wallet to test the rights and ownership of the digital assets.

We assessed the adequacy of the Company's presentation and disclosures related to digital asset.

*(continues)*

### **Other Information**

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, which includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report to the Shareholders of Graph Blockchain Inc. *(continued)*

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

*Kingston Ross Pasmak LLP*  
**Kingston Ross Pasmak LLP**  
Chartered Professional Accountants

# Graph Blockchain Inc.

## Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	April 30, 2023 \$	April 30, 2022 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	296,729	3,653,410
Short-term investments (Note 4 and 10)	126,000	-
Trade and other receivables (Note 10)	-	427,822
Goods and Services Tax receivable	55,084	448,658
Loan receivable (Note 10)	60,000	-
Prepaid expenses	11,845	-
<b>Total current assets</b>	<b>549,658</b>	<b>4,529,890</b>
<b>Non-current assets</b>		
Loan receivable (Note 10)	198,170	-
Property and equipment (Note 5)	-	479
Digital assets (Note 6)	689,241	1,154,672
Intangible assets (Note 3, 7 and 10)	250,000	1,786,381
Goodwill (Note 3 and 7)	-	3,858,425
<b>Total non-current assets</b>	<b>1,137,411</b>	<b>6,799,957</b>
<b>Total assets</b>	<b>1,687,069</b>	<b>11,329,847</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 10)	130,835	894,543
<b>Non-current liabilities</b>		
Loan payable (Note 14)	-	500
Other long-term liability (Note 3 and 7)	-	900,000
<b>Total non-current liabilities</b>	<b>-</b>	<b>900,500</b>
<b>Total liabilities</b>	<b>130,835</b>	<b>1,795,043</b>
<b>Shareholders' equity</b>		
Share capital (Note 8)	41,595,973	41,195,973
Reserves (Note 8)	18,231,239	18,213,014
Accumulated other comprehensive income	1,165	1,179
Accumulated deficit	(58,272,143)	(49,875,362)
<b>Total shareholders' equity</b>	<b>1,556,234</b>	<b>9,534,804</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,687,069</b>	<b>11,329,847</b>
Contingency (Note 13)		
Subsequent event (Note 16)		

Signed "Paul Haber" Director

Signed "Alex MacKay" Director

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

# Graph Blockchain Inc.

## Consolidated Statements of Net Loss and Comprehensive Loss

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

	Year ended April 30, 2023	Year ended April 31, 2022
	\$	\$
<b>Sales</b>	<b>992</b>	44,742
<b>Cost of sales</b>	<b>(4,030)</b>	(3,941)
<b>Gross profit (loss)</b>	<b>(3,038)</b>	40,801
<b>Expenses</b>		
Depreciation and amortization (Note 5 and 7)	125,050	208,142
Loss (gain) on sale of digital assets (Note 6)	617	(703,765)
Office and general	343,589	422,735
Other operating expenses (Note 10)	1,629,471	4,412,249
Salaries, benefits and management fees (Note 10)	977,503	403,663
Share-based compensation (Note 8 and 10)	18,225	781,156
	<b>3,094,455</b>	5,524,180
<b>Loss before other income (expenses)</b>	<b>(3,097,493)</b>	(5,483,379)
<b>Other income (expenses)</b>		
Bad debts	(22,254)	-
Consideration paid in excess of net assets acquired from acquisitions (Note 3)	-	(17,087,564)
Foreign exchange gain	21,444	23,208
Forgivable portion of Canada Emergency Business Account loan (Note 14)	-	10,000
Gain on settlement of debts (Note 8)	223,129	-
Impairment of digital assets (Note 6)	(485,192)	(1,666,478)
Impairment on goodwill and intangibles (Note 7)	(5,270,235)	-
Interest expenses (Note 10)	(102,400)	(281)
Interest income	40,069	8,297
Other income (Note 10)	108,000	151,352
Unrealized gain on other long-term liability (Note 7)	900,000	-
Fair value adjustment on short-term investments (Note 4 and 10)	(174,000)	-
Impairment of Goods and Services Tax receivable	(537,849)	-
<b>Net loss</b>	<b>(8,396,781)</b>	(24,044,845)
<b>Other comprehensive income (loss)</b>		
Foreign exchange translation adjustment	(14)	14
<b>Comprehensive loss</b>	<b>(8,396,795)</b>	(24,044,831)
<b>Basic and diluted net loss per share (Note 9)</b>	<b>(0.145)</b>	(0.481)
<b>Weighted average number of common shares (Note 9)</b>	<b>58,071,488</b>	49,977,584

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

# Graph Blockchain Inc.

## Consolidated Statements of Change in Shareholder's Equity (Expressed in Canadian dollars, except number of common shares)

	Common Shares			Accumulated Deficit \$	Accumulated Other Comprehensive Income \$	Total \$
	Number	Amount \$	Reserves \$			
Balance – April 30, 2021	35,790,504	26,527,665	10,271,124	(25,830,517)	1,165	10,969,437
Shares issued for warrants exercised (Note 8)	6,000	4,571	(971)	-	-	3,600
Shares issued for Beyond the Moon Inc. acquisition (Note 8)	4,615,383	3,923,077	1,179,892	-	-	5,102,969
Shares issued for New World Inc. acquisition (Note 8)	4,615,383	2,769,231	1,417,529	-	-	4,186,760
Shares issued for Optimum Coin Analyser Inc. acquisition (Note 8)	7,142,848	6,071,429	4,564,284	-	-	10,635,713
Shares issued for Niftable Inc. acquisition (Note 8)	5,200,000	1,820,000	-	-	-	1,820,000
Shares for marketing expense (Note 8)	400,000	80,000	-	-	-	80,000
Share-based compensation (Note 8)	-	-	781,156	-	-	781,156
Foreign exchange translation	-	-	-	-	14	14
Net loss for the year	-	-	-	(24,044,845)	-	(24,044,845)
<b>Balance – April 30, 2022</b>	<b>57,770,118</b>	<b>41,195,973</b>	<b>18,213,014</b>	<b>(49,875,362)</b>	<b>1,179</b>	<b>9,534,804</b>
Shares issued for debt (Note 8)	10,000,000	400,000	-	-	-	400,000
Share-based compensation (Note 8)	-	-	18,225	-	-	18,225
Foreign exchange translation	-	-	-	-	(14)	(14)
Net loss for the year	-	-	-	(8,396,781)	-	(8,396,781)
<b>Balance – April 30, 2023</b>	<b>67,770,118</b>	<b>41,595,973</b>	<b>18,231,239</b>	<b>(58,272,143)</b>	<b>1,165</b>	<b>1,556,234</b>

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



# Graph Blockchain Inc.

## Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Year ended April 30, 2023	Year ended April 30, 2022
	\$	\$
<b>Cash flows used in operating activities</b>		
Net loss	(8,396,781)	(24,044,845)
Adjustments to reconcile net loss to operating cash flow		
Sales made in digital assets, net of cost of sales	3,287	(160,432)
Depreciation and amortization	125,050	208,142
Loss (gain) on sale of digital assets	617	(703,765)
Share-based compensation	18,225	781,156
Share-based marketing fees	-	80,000
Bad debts	22,254	-
Consideration paid in excess of net assets acquired from acquisitions	-	17,087,564
Forgivable portion of CEBA loan	-	(10,000)
Gain on settlement of debts	(223,129)	-
Impairment on digital assets	485,192	1,666,478
Impairment on goodwill and intangibles	5,270,235	-
Interest earned on digital assets	(19,602)	-
Interest expense	102,400	-
Unrealized gain on other long-term liability	(900,000)	-
Fair value adjustment on short-term investments	174,000	-
Impairment of Goods and Services Tax receivable	537,849	-
Net change in operating assets and liabilities		
Trade and other receivables	(2)	(9,807)
Goods and Services Tax receivable	(144,275)	(327,880)
Prepaid expenses	(11,845)	81,283
Accounts payable and accrued liabilities	(141,079)	(311,473)
	<u>(3,097,604)</u>	<u>(5,663,579)</u>
<b>Cash flows from (used in) investing activities</b>		
Purchase of digital assets	(4,369)	(843,123)
Purchase of intangible assets	-	(125,000)
Proceeds from sale of digital assets	306	1,503,765
Acquisition of New World Inc., net of cash received	-	359
Acquisition of Optimum Coin Analyser Inc., net of cash received	-	111,531
Acquisition of Niftable Inc., net of cash received	-	13,000
Purchase of short-term investments	(300,000)	-
	<u>(304,063)</u>	<u>660,532</u>
<b>Cash flows used in financing activities</b>		
Repayment of loan payable	-	(150,000)
Receipt of loan receivable	45,000	-
Proceeds from exercise of warrants	-	3,600
	<u>45,000</u>	<u>(146,400)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(14)	14
<b>Decrease in cash and cash equivalents</b>	(3,356,681)	(5,149,433)
<b>Cash and cash equivalents, beginning of year</b>	3,653,410	8,802,843
<b>Cash and cash equivalents, end of year</b>	<u>296,729</u>	<u>3,653,410</u>

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

# Graph Blockchain Inc.

Notes to Consolidated Financial Statements

For the year ended April 30, 2023 and 2022

(Expressed in Canadian dollars)

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## 1 Description of business and going concern

Graph Blockchain Inc. (the “Company” or “Graph”) is a technology company that provides shareholders with exposure to various areas of Decentralized Finance (DeFi). Focusing on altcoins (cryptocurrencies other than 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 has incurred net losses of \$8,396,781 and negative cash flows from operations of \$3,052,604 that have primarily been funded through financing activities in 2022. The Company will need to raise additional capital during the next twelve months and beyond to support current operations and planned development. Although the Company has been successful in raising funds in the past, there can be no assurance that adequate financing will be available in the future or available under terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt as to the Company’s ability to continue as a going concern.

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitment in the normal course of business. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used, that would be necessary if the Company were unable to realize its assets and settle its liabilities and commitment as a going concern in the normal course of operations. Such adjustments could be material.

## 2 Significant accounting policies

### Basis of presentation and statement of compliance

These consolidated financial statements for the Company as at and for the years ended April 30, 2023 and 2022 (“consolidated financial statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”), issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were approved and authorized for issuance by the Company’s Board of Directors on August 25, 2023. These 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 (unincorporated) with a Korean Won functional currency, 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.

# Graph Blockchain Inc.

Notes to Consolidated Financial Statements

For the year ended April 30, 2023 and 2022

(Expressed in Canadian dollars)

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## 2 Significant accounting policies (continued)

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

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

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

### Basis of consolidation

These 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., 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.

### Revenue recognition

The Company recognizes revenue from NFT sales when funds for the transactions are received and the non-fungible token is sent.

Revenue earned from art sales are recognized when the Company has persuasive evidence of a contract, performance obligations up to the delivery of arts have been met, payment terms have been identified and collection is reasonably assured.

### Digital assets

The Company's digital assets meet the definition of intangible assets in IAS 38 Intangible Assets as they are identifiable non-monetary assets without physical substance. On the date acquired, digital assets are initially recorded at cost and subsequently carried at cost less any impairment. The digital assets are not subject to amortization as they are considered to have an indefinite life.

### Goodwill

Goodwill represents the excess of the purchase price paid for an acquisition over the fair value of the net tangible and intangible assets acquired. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill has an indefinite useful life, is not subject to depreciation and is tested annually for any impairment or more frequently in the case that events or circumstances indicate that they be impaired.

# Graph Blockchain Inc.

Notes to Consolidated Financial Statements

For the year ended April 30, 2023 and 2022

(Expressed in Canadian dollars)

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## 2 Significant accounting policies (continued)

### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Company's intangible assets at April 30, 2023 consist of \$250,000 in software development which is not amortized as the software was not completed and ready for use at April 30, 2023. See note 7.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

### Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Company elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured.

# Graph Blockchain Inc.

Notes to Consolidated Financial Statements

For the year ended April 30, 2023 and 2022

(Expressed in Canadian dollars)

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## 2 Significant accounting policies (continued)

### Loss per share

The calculation of loss per share is based on the reported net loss available by the weighted average number of shares outstanding during the reporting year. Diluted loss per share is calculated using the treasury stock method to determine the dilutive effect from the exercise of stock options. This assumes that any proceeds received from in-the-money options would be used to buy back common shares at the average market price during the year.

### Share consolidation

On November 17, 2022, the Company effected a consolidation of its issued and outstanding common shares on the basis of ten pre-consolidation common shares for one post-consolidation common share. Unless otherwise noted, impacted amounts and share information included in the financial statements and notes thereto have been retroactively adjusted for the share consolidation as if such share consolidation occurred on the first day of the first period presented. Certain amounts in the notes to the financial statements may be slightly different than previously reported due to rounding of fractional shares as a result of the share consolidation.

### Short-term investments

Short-term investments represent marketable securities which are easily convertible into cash and have readily determinable value. Marketable securities are classified as either trading securities or available-for-sale securities. Trading securities are bought and held primarily for the purpose of selling them in the near term. Available-for-sale securities are bought and held for investment purposes and are not intended to be sold in the near term. The fair value of marketable securities is determined using quoted market prices, if available, or by using other relevant financial information, such as discounted cash flow analysis or other pricing models. The Company regularly reviews the fair value of its marketable securities to ensure that they are accurately reflected in the financial statements. Trading securities are recorded at their fair value, with any changes in fair value recognized in the current period's earnings. Available-for-sale securities are recorded at their fair value, with any changes in fair value recognized in comprehensive income until the security is sold or otherwise disposed of, at which point the gain or loss is recognized in the current period's earnings. The Company periodically assesses whether there is any evidence that marketable securities have suffered an other-than-temporary decline in value. If such evidence exists, the Company will recognize an impairment loss in the current period's earnings.

### Financial instruments

#### a) Classification of financial assets

Financial assets are classified and measured based on the three categories: amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). Financial liabilities are classified and measured in two categories: amortized cost or FVTPL. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated, but the hybrid financial instrument as a whole is assessed for classification.

# Graph Blockchain Inc.

## Notes to Consolidated Financial Statements

For the year ended April 30, 2023 and 2022

(Expressed in Canadian dollars)

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### 2 Significant accounting policies (continued)

#### Financial instruments (continued)

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

The following table summarizes the classification of the financial instruments under IFRS 9:

	<b>Classification</b>
Cash and cash equivalents	FVTPL
Short term investment	FVTPL
Trade and other receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loan payable	Amortized cost

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

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

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

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

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

# Graph Blockchain Inc.

## Notes to Consolidated Financial Statements

For the year ended April 30, 2023 and 2022

(Expressed in Canadian dollars)

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### 2 Significant accounting policies (continued)

#### a) Impairment of financial assets

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

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

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

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

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

#### Property and equipment

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

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

Computer and equipment	2 years
Office equipment and furniture	5 years

# Graph Blockchain Inc.

Notes to Consolidated Financial Statements

For the year ended April 30, 2023 and 2022

(Expressed in Canadian dollars)

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## 2 Significant accounting policies (continued)

### Property and equipment (continued)

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

### Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated using the guidance provided in IAS 36.

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

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

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

### Income taxes

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

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



# Graph Blockchain Inc.

Notes to Consolidated Financial Statements

For the year ended April 30, 2023 and 2022

(Expressed in Canadian dollars)

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## 2 Significant accounting policies (continued)

### Share-based compensation

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

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

### Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of operations, has been identified as the Chief Executive Officer.

The Company operates as a wholesale distributor of building materials and home renovation products, including value-added services such as lumber pressure treating.

Based on the current operations, business processes, and how financial information is produced internally for the purposes of making operating decisions, the Company operates as one reportable segment.

### 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, digital assets accounting treatment, valuation of equity instruments issued under share-based payment arrangements, going concern, functional currency, useful life of assets, income taxes and business combination.

# Graph Blockchain Inc.

Notes to Consolidated Financial Statements

For the year ended April 30, 2023 and 2022

(Expressed in Canadian dollars)

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## 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 ECL 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 – accounting

There is limited guidance on the recognition and measurement of digital currencies. The Company accounts for its digital assets using the cost model under IAS 38 with changes in fair value recorded to profit and loss. There was significant judgement applied by the Company in making this assessment as accounting for cryptocurrencies depends on the nature of the asset, the use of the asset including the expected timeline or use, and how the asset is held. This judgement included consideration of the Company's operations, strategy, and intent of management.

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.

#### e) Going concern

The determination of the Company's ability to continue as a going concern requires the Company to make certain judgements about whether the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

#### f) Functional currency

The functional currency of the Company has been assessed by management based on consideration of the currency and economic factors that mainly influence the Company's compensation and operating costs. Specifically, the Company considers the currencies in which expenses are settled by each entity as well as the currency in which each entity receives or raises financing. Changes to these factors may have an impact on the judgement applied in the determination of the Company's functional currency.

# Graph Blockchain Inc.

Notes to Consolidated Financial Statements

For the year ended April 30, 2023 and 2022

(Expressed in Canadian dollars)

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## 2 Significant accounting policies (continued)

### Critical Accounting Estimates and Judgements (continued)

#### g) Useful life of assets

Property and equipment, and intangible assets are depreciated over their estimated useful lives. Estimated useful lives are determined based on current factors and past experience and take into consideration the anticipated physical life of the asset, the potential for technological obsolescence, and regulations. Accordingly, these estimates are subject to measurement uncertainty.

#### h) Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Company's domicile. As the Company assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognized.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

#### i) Business combinations

In a business combination, the Company may acquire assets and assume certain liabilities of an acquired entity. Estimates are made as to the fair value of property, plant and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of intangible assets acquired and the measurement of contingent consideration, the Company may rely on independent third-party valuers. The determination of these fair values involves a variety of assumptions, including revenue growth rates, expected operating income, and discount rates.

### 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 affect both.

# Graph Blockchain Inc.

## Notes to Consolidated Financial Statements

For the year ended April 30, 2023 and 2022

(Expressed in Canadian dollars)

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### Accounting Standards Issued But Not Yet Applied

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ending April 30, 2023 and, accordingly, have not been applied in preparing these consolidated financial statements.

#### Improving Accounting Policy Disclosures and Clarifying Distinction between Accounting Policies and Accounting Estimates (Amendments to IAS 1 and IAS 8)

In February 2021, the IASB issued narrow-scope amendments to IAS 1 Presentation of Financial Statements, IFRS Practice Statement 2 Making Materiality Judgments and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments to IAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company does not believe that these amendments will have a material impact on the consolidated financial statements.

#### Amendment to IAS 12, Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

In May 2021, the IASB issued targeted amendments to IAS 12 – Income Taxes to specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations transactions for which companies recognize both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The Company does not believe that these amendments will have a material impact on the consolidated financial statements.

#### IFRS Sustainability Disclosure Standards Exposure Drafts

In March 2022, the International Sustainability Standards Board (“ISSB”) released two exposure drafts for public comments due July 29, 2022:

- IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information
- IFRS S2 – Climate-related Disclosures

To comply, an entity would (1) disclose material information about all significant-related risks and opportunities to which it is exposed, and (2) disclose information that would enable an investor to assess the effect of climate-related risks and opportunities. This information would need to be disclosed as a part of the Company’s general purpose financial reporting, and would be centered on the consideration of the governance, strategy and risk management of its business, and the metrics and targets it uses to measure, monitor and manage its significant risks and opportunities. The standards will be available for annual reporting periods beginning on or after January 1, 2024, but are not currently mandated in Canada.

# Graph Blockchain Inc.

## Notes to Consolidated Financial Statements

For the year ended April 30, 2023 and 2022

(Expressed in Canadian dollars)

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### 3 Asset acquisitions and business combinations

#### 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 4,615,383 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 \$1.80 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.

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

	<b>Amount</b>
	<b>\$</b>
<b>Purchase price</b>	
4,615,383 common shares	3,923,077
2,307,681 share purchase warrants	<u>1,179,892</u>
<b>Total consideration paid</b>	<b><u>5,102,969</u></b>
<b>Net equity acquired</b>	
Digital asset	<u>208,999</u>
<b>Consideration paid in excess of net equity acquired</b>	<b><u>4,893,970</u></b>

As of April 30, 2022, the \$4,893,970 is recorded as consideration paid in excess of net assets acquired from acquisitions in the consolidated statement of net loss and comprehensive loss.

#### 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 4,615,383 units of the Company comprised of one common share of the Company and one share purchase warrant to New World shareholders. Each warrant is exercisable into one common share at a price of \$1.80 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 1,500,000 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 for a business combination and the purchase price was determined based on IFRS 2 – Share Based Payments.

# Graph Blockchain Inc.

Notes to Consolidated Financial Statements

For the year ended April 30, 2023 and 2022

(Expressed in Canadian dollars)

## 3 Asset acquisitions and business combinations (continued)

	<b>Amount</b>
	<b>\$</b>
<b>Purchase price</b>	
4,615,383 common shares	2,769,231
4,615,383 share purchase warrants	1,417,529
<b>Total consideration paid</b>	<b>4,186,760</b>
<b>Less net equity acquired</b>	
Cash and cash equivalents	358
Goods and Services Tax receivable	61,958
Artist relationship	1,281,000
New World platform	463,000
Accounts payable and accrued liabilities	(427,481)
Due to Graph	(30,000)
Loans payable	(120,500)
Contingent consideration in shares (Note 7)	(900,000)
<b>Total identifiable net equity acquired</b>	<b>328,335</b>
<b>Goodwill arising on acquisition</b>	<b>3,858,425</b>

New World is an augmented reality non-fungible token (“NFT”) sales and distribution platform that provides a digital marketplace for managing and monetizing three-dimensional digital objects. The acquisition of New World provides the Company the exposure to the NFT market, allows users to create, market and utilize NFTs at a global scale on the Ethereum blockchain.

Goodwill is comprised of the excess fair value of the consideration paid over the fair value of the net assets acquired. Factors that make up the amount of the goodwill recognized include expected synergies and employee knowledge of operations. The total amount of goodwill and intangible assets is \$3,858,425 and \$1,744,000 and are not deductible for tax purposes. See Note 7 for impairment of goodwill and intangibles.

### 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 7,142,848 units of the Company comprised of one common share of the Company and one share purchase warrant to Optimum Coin shareholders. Each warrant is exercisable into one common share at a price of \$0.90 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 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 Consolidated Financial Statements

For the year ended April 30, 2023 and 2022

(Expressed in Canadian dollars)

## 3 Asset acquisitions and business combinations (continued)

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

	<b>Amount</b>
	<b>\$</b>
<b>Purchase price</b>	
7,142,848 common shares	6,071,429
7,142,848 share purchase warrants	4,564,284
	<hr/>
<b>Total consideration paid</b>	<b>10,635,713</b>
	<hr/>
<b>Less net equity acquired</b>	
Cash and cash equivalents	111,532
Goods and Services Tax receivable	18,718
Intangible asset	125,000
	<hr/>
<b>Total identifiable net equity acquired</b>	<b>255,250</b>
	<hr/>
<b>Consideration paid in excess of net equity acquired</b>	<b>10,380,463</b>
	<hr/>

As of April 30, 2022, the \$10,380,463 is recorded as consideration paid in excess of net assets acquired from acquisitions in the consolidated statement of net loss and comprehensive loss.

### 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 5,200,000 common shares of the Company to Niftable shareholders.

The acquisition of Niftable 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.

	<b>Amount</b>
	<b>\$</b>
<b>Purchase price</b>	
5,200,000 common shares	1,820,000
	<hr/>
<b>Total consideration paid</b>	<b>1,820,000</b>
	<hr/>
<b>Less net equity acquired</b>	
Cash and cash equivalents	13,000
Accounts payable	(6,131)
	<hr/>
<b>Total identifiable net equity acquired</b>	<b>6,869</b>
	<hr/>
<b>Consideration paid in excess of net equity acquired</b>	<b>1,813,131</b>
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As of April 30, 2022, the \$1,813,131 is recorded as consideration paid in excess of net assets acquired from acquisitions in the consolidated statement of net loss and comprehensive loss.

# Graph Blockchain Inc.

## Notes to Consolidated Financial Statements

For the year ended April 30, 2023 and 2022

(Expressed in Canadian dollars)

### 4 Short-term investments

On December 13, 2022, the Company subscribed 6,000,000 units of the Justera Health Ltd. (formerly ScreenPro Security Inc.) (“Justera”), a company which shares certain officers and directors in common with Graph, at \$0.05 per unit for a total payment of \$300,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the Company to further purchase one common share at a price of \$0.05 per share for a period of 18 months from the date of issuance. As these marketable securities are held primarily for the purpose of sale in the near term, the Company classified them as short-term investments under current assets. The fair value of the short-term investments is determined using quoted market price at period end closing date for shares and Black-Scholes pricing method for warrants. As of April 30, 2023, fair value of the shares and warrants were \$90,000 and \$36,000 respectively (2022 - \$Nil). During the year ended April 30, 2023, a fair value adjustment of \$174,000 (2022 - \$Nil) is recorded as unrealized loss on short-term investments in the statement of net loss and comprehensive loss.

### 5 Property and equipment

	Computer equipment \$	Office equipment and furniture \$	Total \$
<b>Cost</b>			
Balance at April 30, 2021	22,512	2,616	25,128
Additions	-	-	-
<b>Balance at April 30, 2022 and 2023</b>	<b>22,512</b>	<b>2,616</b>	<b>25,128</b>
<b>Accumulated depreciation</b>			
Balance at April 30, 2021	22,512	1,613	24,125
Depreciation	-	524	524
Balance at April 30, 2022	22,512	2,137	24,649
Depreciation	-	479	479
<b>Balance at April 30, 2023</b>	<b>22,512</b>	<b>2,616</b>	<b>25,128</b>
<b>Carrying amounts</b>			
Balance at April 30, 2022	-	479	479
<b>Balance at April 30, 2023</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 6 Digital assets

As of April 30, 2023 and 2022, the Company holds digital assets at lower of cost and net realizable value as follows:

	April 30, 2023		April 30, 2022	
	Units	\$	Units	\$
Chainlink	12,500	119,544	12,500	176,250
Polkadot	23,893	191,208	23,893	445,599
Tezos	104,465	142,333	102,917	327,000
Others		236,156		205,823
		<b>689,241</b>		<b>1,154,672</b>



# Graph Blockchain Inc.

## Notes to Consolidated Financial Statements

For the year ended April 30, 2023 and 2022

(Expressed in Canadian dollars)

### 6 Digital assets (continued)

Others include 40 units of Ethereum valued at \$101,066 (2022 – 40 units valued at \$139,194), 100,000 units of Duck valued at \$4,905 (2022 – 100,000 units valued at \$7,600), 1,642 units of USDC valued at \$2,227 (2022 – 1,598 units valued at \$2,044), 3,500 units of Pols valued at \$2,039 (2022 – 3,500 units valued at \$4,585), 13,000 units of Poolz valued at \$64,263 (2022 – 15,014 Poolz valued at \$52,400), 110 units of BNB valued at \$50,150 (2022 – \$Nil), 7,593 units of USDT valued at \$10,302 (2022 - \$Nil) and 1 unit of WETH valued at \$1,204 (2022 - \$Nil). The fair value of the crypto coins is determined using unit price from coinmarketcap.com on April 30, 2023.

During the year ended April 30, 2023, the Company recognized an impairment loss of \$485,192 (2022 – \$1,666,478) on its investment in digital assets to reflect the market price on April 30, 2023 as a result of the drop in market price below cost for a significant period of time.

During the year ended April 30, 2023, the Company disposed 0.1674 units of Ethereum for proceeds of \$306 resulting in a loss of \$617. During the year ended April 30, 2022, the Company disposed of its holdings in Cardano for proceeds of \$1,503,765 resulting in a gain of \$703,765.

### 7 Intangible assets

	Artist Relationship \$	Technology \$	Total \$	Goodwill \$
<b>Cost</b>				
Balance at April 30, 2021	-	-	-	-
Acquisitions through business combinations	1,281,000	588,000	1,869,000	3,858,425
Addition	-	125,000	125,000	-
Balance at April 30, 2022	1,281,000	713,000	1,994,000	3,858,425
Additions	-	-	-	-
Impairment loss	(1,281,000)	(463,000)	(1,744,000)	(3,858,425)
<b>Balance at April 30, 2023</b>	<b>-</b>	<b>250,000</b>	<b>250,000</b>	<b>-</b>
<b>Accumulated amortization</b>				
Balance at April 30, 2021	-	-	-	-
Amortization	152,500	55,119	207,619	-
Balance at April 30, 2022	152,500	55,119	207,619	-
Amortization	91,500	33,071	124,571	-
Impairment loss	(244,000)	(88,190)	(332,190)	-
<b>Balance at April 30, 2023</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Carrying amounts</b>				
<b>Balance at April 30, 2023</b>	<b>-</b>	<b>250,000</b>	<b>250,000</b>	<b>-</b>
Balance at April 30, 2022	1,128,500	657,881	1,786,381	3,858,425

In November 2022, the Company made a decision to put New World's operation on hold and laid off the 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 an impairment loss of \$3,858,425 for goodwill, \$1,037,000 for artist relationship and \$374,810 for technology. Total impairment loss of \$5,270,235 was recognized in the consolidated statements of loss and comprehensive loss in the line item "Impairment of goodwill and intangibles" to a recoverable amount of \$Nil.

# Graph Blockchain Inc.

## Notes to Consolidated Financial Statements

For the year ended April 30, 2023 and 2022

(Expressed in Canadian dollars)

### 7 Intangible assets (continued)

Artist relationship acquired from New World is deemed to have a \$Nil recoverable amount since both (1) value in use, which represents the net present value of the Company's expected cash flows to be generated by New World, and (2) fair value less costs to sell are both estimated to be \$Nil at April 30, 2023.

Furthermore, \$900,000 other long-term liability representing contingent consideration in shares related to New World acquisition is reversed to unrealized gain on other long-term liability in the consolidated statement of loss and comprehensive loss as the terms of the payment were not met.

During the year ended April 30, 2022, the Company entered into a software development agreement with Nexalogy Environics Inc ("Contractor") to develop a website that list a series of indicators for trading cryptocurrencies. As of April 30, 2023, \$250,000 was paid to the Contractor for the development of the software. No amortization was taken as the software was not completed and ready for use.

The Company will pay the remaining balance of \$250,000 within seven days of the completion date.

### 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.

In November 2022, the Company consolidated its issued and outstanding common shares on the basis of one post-consolidation share for every ten pre-consolidation shares. All figures have been retroactively adjusted to reflect the stock consolidation, unless otherwise indicated.

The following summarizes transactions involving the common shares of the Company:

	Number	Amount \$
Shares issued and outstanding on April 30, 2021	35,790,504	26,527,665
Shares issued for acquisition of Beyond the Moon	4,615,383	3,923,077
Shares issued for acquisition of New World	4,615,383	2,769,231
Shares issued for acquisition of Optimum Coin	7,142,848	6,071,429
Shares issued for acquisition of Niftable	5,200,000	1,820,000
Shares issued for marketing expense	400,000	80,000
Shares issued for warrants exercised	<u>6,000</u>	<u>4,571</u>
Shares issued and outstanding on April 30, 2022	57,770,118	41,195,973
Shares issued for debt	<u>10,000,000</u>	<u>400,000</u>
<b>Shares issued and outstanding on April 30, 2023</b>	<b><u>67,770,118</u></b>	<b><u>41,595,973</u></b>

On June 9, 2021, the Company issued 4,615,383 units pursuant to the terms of the share exchange agreement related to the acquisition of Beyond the Moon valued at an aggregate amount of \$3,923,077 (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 \$1.80 per common share for a period of 18 months.

# Graph Blockchain Inc.

## Notes to Consolidated Financial Statements

For the year ended April 30, 2023 and 2022

(Expressed in Canadian dollars)

### 8 Share capital and reserves (continued)

#### a) Common shares (continued)

On July 5, 2021, the Company issued 4,615,383 units pursuant to the terms of the share exchange agreement related to the acquisition of New World valued at an aggregate amount of \$2,769,231 (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 \$1.80 per common share for a period of 24 months.

On August 24, 2021, the Company issued 7,142,848 units pursuant to the terms of the share exchange agreement related to the acquisition of Optimum Coin valued at an aggregate amount of \$6,071,429 (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 \$0.90 per common share for a period of 24 months.

On August 31, 2021, 6,000 warrants were exercised for gross proceeds of \$3,600.

On January 27, 2022, the Company issued 5,200,000 common shares pursuant to the terms of the share exchange agreement related to the acquisition of Niftable valued at \$1,820,000 (Note 3).

On March 9, 2022, the Company issued 400,000 common shares pursuant to an endorsement agreement for marketing. Total value of \$80,000 was recorded to other operating expenses in the consolidated statement of loss and comprehensive loss for the year ended April 30, 2022.

On April 19, 2023, the Company issued 10,000,000 common shares valued at \$400,000 to settle total debts in the amount of \$500,000, included in accounts payable and accrued liabilities, resulting in a gain on settlement of debts of \$100,000 for the year ended April 30, 2023.

#### 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 on April 30, 2021	16,963,480	1.30
Warrants issued in connection with Beyond the Moon acquisition	2,307,681	1.80
Warrants issued in connection with New World acquisition	4,615,383	1.80
Warrants issued in connection with Optimum Coin acquisition	7,142,848	0.90
Warrants exercised	(6,000)	0.60
Warrants expired	(194,295)	0.60
Warrants outstanding on April 30, 2022	30,829,097	1.35
Warrants expired	(10,842,298)	1.16
<b>Warrants outstanding on April 30, 2023</b>	<b>19,986,799</b>	<b>1.45</b>

# Graph Blockchain Inc.

## Notes to Consolidated Financial Statements

For the year ended April 30, 2023 and 2022

(Expressed in Canadian dollars)

### 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 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 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 – \$1.00; (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 – \$1.6406; (iii) expected life – 5 years; (iv) annualized volatility – 230%; and (v) expected dividend yield – 0%.

For warrants issued in connection with business acquisitions, the fair value was calculated using Black Scholes pricing model with the following range of assumptions:

	2023	2022
Risk-free interest rate	-	0.17% to 0.46%
Expected exercise price	-	\$0.90 to \$1.80
Expected life (years)	-	1.5 to 2.0
Volatility	-	145% to 175%
Dividend yield	-	-

As of April 30, 2023, the outstanding warrants had a remaining useful life of 1.35 years with a reserve balance of \$11,557,429 (2022 – 1.65 years with a reserve balance of \$11,557,429).

As of April 30, 2023, the following warrants were outstanding:

Number of warrants	Exercise price	Expiry date
4,615,383	\$1.80	July 2, 2023*
7,142,848	\$0.90	August 24, 2023*
7,619,045	\$1.750	March 26, 2026
609,523	\$1.6406	March 26, 2026
<b>19,986,799</b>		

\* 4,615,383 warrants with an exercise price of \$1.80 and 7,142,848 warrants with an exercise price of \$0.90 expired unexercised subsequent to year-end.

# Graph Blockchain Inc.

## Notes to Consolidated Financial Statements

For the year ended April 30, 2023 and 2022

(Expressed in Canadian dollars)

### 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 on April 30, 2021	3,570,000	1.70
Stock options granted	1,635,000	0.50
Stock options cancelled	<u>(725,000)</u>	<u>1.24</u>
Stock options outstanding on April 30, 2022	4,480,000	1.31
Stock options expired	(1,720,000)	2.13
Stock options cancelled	<u>(2,760,000)</u>	<u>0.81</u>
<b>Stock options outstanding and exercisable on April 30, 2023</b>	<u>-</u>	<u>-</u>

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 1,635,000 common shares at an exercise price of \$0.50 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 \$0.20; exercise price of \$0.50; 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%.

As at March 20, 2023, the Company has cancelled an aggregate of 2,760,000 options to purchase common shares of the Company which were previously granted to employees, directors, and consultants of the Company at exercise prices ranging from \$0.50 to \$1.25, expiring March 29, 2023, and September 23, 2023. The Options were voluntarily surrendered by the holders for no consideration.

As at April 30, 2023, there were no stock options outstanding (2022 – 4,480,000 stock options had a remaining useful life of 1.06 years with a reserve balance of \$6,655,541).

# Graph Blockchain Inc.

## Notes to Consolidated Financial Statements

For the year ended April 30, 2023 and 2022

(Expressed in Canadian dollars)

### 8 Share capital and reserves (continued)

#### d) Restricted stock unit (“RSU”)

On March 22, 2023, the Company has issued Restricted Stock Units (RSUs) of an aggregate of 5,400,000 to employees, directors and consultants of the Company. Each RSU represents the right to receive one common share of the Company provided that the individual remains in continuous service through the applicable vesting date. These RSUs will vest on January 30, 2024. The Common Shares underlying the RSUs are subject to a four-month hold period in accordance with the policies of the Canadian Securities Exchange. The Company recorded share-based compensation of \$18,225 (2022 - \$Nil) related to these RSUs calculated as follows: (1) quoted market price of the Company’s shares of \$0.045, (2) forfeiture rate of 25%, and (3) straight-line amortization up to January 2024.

### 9 Net loss per share

	Year ended April 30, 2023	Year ended April 30, 2022
Net loss	\$ (8,396,781)	\$ (24,044,845)
Weighted average number of shares outstanding	<u>58,071,488</u>	<u>49,977,584</u>
Basic and diluted loss per share	<u>\$ (0.145)</u>	<u>\$ (0.481)</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, stock options and RSUs as of April 30, 2023 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 of April 30, 2023 and 2022:

	April 30, 2023	April 30, 2022
Common shares issued and outstanding	67,770,118	57,770,118
Warrants	19,986,799	30,829,097
Stock options	-	4,480,000
Restricted stock units	<u>5,400,000</u>	<u>-</u>
	<u>93,156,917</u>	<u>93,079,215</u>

### 10 Related party transactions

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

Short-term investments represent shares subscription from Justera, a company with certain officers and directors in common with the Company. See note 4.

#### b) Loan receivable

As of April 30, 2023, a trade receivable balance of \$405,570 (2022 - \$Nil) that was due from Justera, a company with certain officers and directors in common with the Company, was converted into a loan that is to be repaid over 81 months for an equal payment of \$5,000 per month. During the year, the Company received \$45,000 and \$360,570 remains outstanding, of which \$60,000 was classified as a current portion. The Company recorded an interest expense of \$102,400 to present value the long-term loan receivable using the incremental borrowing rate of 12%.

# Graph Blockchain Inc.

Notes to Consolidated Financial Statements

For the year ended April 30, 2023 and 2022

(Expressed in Canadian dollars)

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## 10 Related party transactions (continued)

### c) Accounts payable and accrued liabilities

As of April 30, 2023, an amount of \$6,000 (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 April 30, 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 year ended April 30, 2023, the Company recognized \$108,000 (2022 - \$Nil) related to consulting fees charged to with certain officers and directors in common with the Company.

### 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:

	Year ended April 30, 2023	Year ended April 30, 2022
	\$	\$
Accounting fees included in other operating expenses	-	180,000
Consulting fees included in other operating expenses	<b>251,000</b>	1,185,133
Professional fees included in other operating expenses	-	18,000
Share-based compensation	<b>12,826</b>	692,768
Salaries and benefits	<b>318,860</b>	269,116
	<b><u>582,686</u></b>	<b><u>2,345,017</u></b>

# Graph Blockchain Inc.

Notes to Consolidated Financial Statements

For the year ended April 30, 2023 and 2022

(Expressed in Canadian dollars)

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## 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 of April 30, 2023, the Company's financial instruments are comprised of cash and cash equivalents, short-term investments, trade and other receivables, and accounts payable and accrued liabilities. The amounts reflected in the statement of financial position are carrying amounts and approximate their fair values due to their short-term nature.

### General objectives, policies and processes

Management has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The overall objective of management is to set policies that seek to minimize risk as far as possible without unduly affecting the Company's competitiveness and flexibility. The Company has established risk management policies and procedures designed to reduce the potentially adverse effects of price volatility on operating results and distributions. Further details regarding these policies are set out below.

### 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 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.

### 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. The payments for the Company's accounts payable and accrued liabilities are due in less than a year.



# Graph Blockchain Inc.

## Notes to Consolidated Financial Statements

For the year ended April 30, 2023 and 2022

(Expressed in Canadian dollars)

### 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	894,543	-	-	894,543
Loan payable	-	-	500	500
Balance on April 30, 2022	<u>894,543</u>	<u>-</u>	<u>500</u>	<u>895,043</u>
Accounts payable and accrued liabilities	130,835	-	-	130,835
<b>Balance on April 30, 2023</b>	<b><u>130,835</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>130,835</u></b>

#### Interest rate risk

The Company may, from time to time, earn interest income from cash balance and other short-term deposits from the financial institutions. The Company also has a non-interest-bearing long-term loan receivable from an entity with certain officers and directors in common. As a result of amortized cost accounting, the Company will recognize interest income over time. The Company does not consider interest rate risk to be significant.

#### Foreign currency risk

The Company is exposed to foreign currency risk from currency exposures to Canadian dollars. The main currency to which the Company had an exposure is the Korean Won. The Company was exposed to currency risk to the extent of the operations of its South Korean branch. The Company no longer has any operations in South Korea. 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 on April 30, 2023, 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 \$Nil (2022 - \$70,000) in comprehensive income/loss for the year.

#### 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. As of April 30, 2023, cash and short-term investments have been measured at fair value using level 1 inputs and there has been no change during the year.

All other financial assets and liabilities measured at amortized, with the exception of the long-term loan receivable, are expected to be realized within a year and therefore approximate their value.

# Graph Blockchain Inc.

## Notes to Consolidated Financial Statements

For the year ended April 30, 2023 and 2022

(Expressed in Canadian dollars)

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### 12 Capital management

The Company defines its capital as its shareholders' equity in the amount of \$1,556,234 (2022 - \$9,534,804) and loan payable of \$Nil (2022 - \$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 year ended April 30, 2023.

### 13 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.

### 14 Loan 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, 2023, then the remaining \$10,000 of the principal balance will be forgiven. In May 2021, the Company repaid the principal balance of \$30,000 and meets the terms of forgiving the remaining \$10,000. As a result, the Company recognized the \$10,000 in the forgivable portion of CEBA loan on the statement of net loss and comprehensive loss for the year ended April 30, 2022.

On July 5, 2021, the Company acquired loans payable from third party creditors of \$120,500 pursuant to the acquisition of New World Inc. (Note 3). These loans were unsecured, non-interest bearing and repayable on demand. During the year ended April 30, 2022, the Company repaid \$120,000. During the year ended April 30, 2023, the Company settled the remaining \$500 resulting in a gain of \$500. As of April 30, 2023, the loan payable balance was \$Nil.

# Graph Blockchain Inc.

## Notes to Consolidated Financial Statements

For the year ended April 30, 2023 and 2022

(Expressed in Canadian dollars)

### 15 Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 27% (2022 - 27%) to the effective tax rate is as follows:

	Year ended April 30, 2023	Year ended April 30, 2022
	\$	\$
<b>Net loss before income taxes</b>	(8,396,780)	(24,044,845)
Expected income tax recovery	(2,242,427)	(6,474,983)
Non-deductible expenses	1,685,668	4,950,841
Exempt income	(240,352)	-
Group losses not deductible	797,111	1,524,142
<b>Income tax expense (recovery)</b>	<u>-</u>	<u>-</u>

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences as they may not be used to offset taxable profits elsewhere in the Group, they have arisen in subsidiaries that have been loss-making for some time and there are no other tax planning opportunities or other evidence of recoverability in the near future.

Deferred tax assets	April 30, 2023	April 30, 2022
	\$	\$
Non-capital losses carried forward – Canada	15,312,411	12,327,624
Share issue costs	479,146	780,499
Property and equipment	19,457	19,457
Investments	174,000	-
<b>Total</b>	<u>15,985,014</u>	<u>13,127,580</u>

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

	Amount \$
2038	945,458
2039	3,706,411
2040	743,094
2041	1,461,447
2042	5,471,214
2043	2,984,787
	<u>15,312,411</u>

# **Graph Blockchain Inc.**

Notes to Consolidated Financial Statements

For the year ended April 30, 2023 and 2022

(Expressed in Canadian dollars)

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## **16 Subsequent event**

Subsequent to the year ended April 30, 2023, the Company granted an aggregate of 2,200,000 restricted stock units to employees, directors and consultants of the Company. The restricted stock units vest immediately and expire on June 9, 2024.