

Graph Blockchain Inc.

Interim Condensed Consolidated Financial Statements **For the Three and Six Months Ended October 31, 2023 and 2022** (Expressed in Canadian dollars, unless otherwise noted) (Unaudited)

Interim Condensed Consolidated Financial Statements

Interim Condensed Consolidated Statements of Financial Position	3
Interim Condensed Consolidated Statements of Net Loss and Comprehensive Loss	4
Interim Condensed Consolidated Statements of Changes in Shareholders' Equity	5
Interim Condensed Consolidated Statements of Cash Flows	6
Notes to Interim Condensed Consolidated Financial Statements	7-24

NOTICE TO READER

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

The accompanying interim condensed consolidated financial statements of Graph Blockchain Inc. (the “Company”) have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these interim condensed consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity’s auditor.

Graph Blockchain Inc.

Interim Condensed Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

	October 31, 2023 \$	April 30, 2023 \$
Assets		
Current assets		
Cash and cash equivalents	201,939	296,729
Short-term investments (Note 4 and 10)	186,769	126,000
Goods and Services Tax receivable	56,810	55,084
Loan receivable (Note 10)	60,000	60,000
Prepaid expenses	5,429	11,845
Total current assets	<u>510,947</u>	<u>549,658</u>
Non-current assets		
Loan receivable (Note 10)	208,161	198,170
Digital assets (Note 6)	133,206	689,241
Intangible assets (Note 3, 7 and 10)	250,000	250,000
Total non-current assets	<u>591,367</u>	<u>1,137,411</u>
Total assets	<u>1,102,314</u>	<u>1,687,069</u>
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	<u>139,481</u>	<u>130,835</u>
Total liabilities	<u>139,481</u>	<u>130,835</u>
Shareholders' equity		
Share capital (Note 8)	41,998,973	41,595,973
Reserves (Note 8)	18,231,239	18,231,239
Accumulated other comprehensive income	18,165	1,165
Accumulated deficit	<u>(59,285,544)</u>	<u>(58,272,143)</u>
Total shareholders' equity	<u>962,833</u>	<u>1,556,234</u>
Total liabilities and shareholders' equity	<u>1,102,314</u>	<u>1,687,069</u>
Contingency (Note 13)		

Signed "Paul Haber" Director

Signed "Richard Yoon" Director

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

Graph Blockchain Inc.

Interim Condensed Consolidated Statements of Net Loss and Comprehensive Loss

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

(Unaudited)

	Three months ended October 31, 2023	Three months ended October 31, 2022	Six months ended October 31, 2023	Six months ended October 31, 2022
	\$	\$	\$	\$
Sales	-	1,121	-	1,121
Cost of sales	-	(3,884)	-	(3,884)
Gross profit	-	(2,763)	-	(2,763)
Expenses				
Depreciation and amortization (Note 5 and 7)	-	62,416	-	124,833
Loss on sale of digital assets (Note 6)	20,400	617	4,755	617
Office and general	36,547	123,599	70,570	244,017
Other operating expenses (Note 10)	230,706	435,692	440,223	795,683
Salaries, benefits and management fees (Note 10)	14,396	306,843	68,724	662,731
Share-based compensation (Note 8 and 10)	164,225	-	403,000	-
	466,274	929,167	987,272	1,827,881
Loss before other income (expenses)	(466,274)	(931,930)	(987,272)	(1,830,644)
Other income (expenses)				
Foreign exchange gain	-	34,749	-	36,140
Impairment of digital assets (Note 6)	21,487	(66,752)	(116,577)	(502,483)
Interest income	7,383	6,694	15,148	39,614
Other income (Note 10)	-	-	14,531	-
Fair value adjustment on short-term investments (Note 4 and 10)	(74,910)	-	60,769	-
Net loss	(512,314)	(957,239)	(1,013,401)	(2,257,373)
Other comprehensive income				
Foreign exchange translation adjustment	3,680	369	17,000	822
Comprehensive loss	(508,634)	(956,870)	(996,401)	(2,256,551)
Basic and diluted net loss per share (Note 9)	(0.007)	(0.017)	(0.014)	(0.039)
Weighted average number of common shares (Note 9)	75,953,814	57,770,170	72,364,140	57,770,170

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

Graph Blockchain Inc.

Interim Condensed Consolidated Statements of Change in Shareholder's Equity

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

(Unaudited)

	<u>Common Shares</u>			Accumulated Deficit \$	Accumulated Other Comprehensive Income \$	Total \$
	Number	Amount \$	Reserves \$			
Balance – April 30, 2022	57,770,118	41,195,973	18,213,014	(49,875,362)	1,179	9,534,804
Foreign exchange translation	-	-	-	-	822	822
Net loss for the period	-	-	-	(2,257,373)	-	(2,257,373)
Balance – October 31, 2022	57,770,118	41,195,973	18,213,014	(52,132,735)	2,001	7,278,253
Balance – April 30, 2023	67,770,118	41,595,973	18,231,239	(58,272,143)	1,165	1,556,234
Shares issued for RSUs (Note 8)	13,500,000	403,000	(403,000)	-	-	-
Share-based compensation (Note 8)	-	-	403,000	-	-	403,000
Foreign exchange translation	-	-	-	-	17,000	17,000
Net loss for the period	-	-	-	(1,013,401)	-	(1,013,401)
Balance – October 31, 2023	81,270,118	41,998,973	18,231,239	(59,285,544)	18,165	962,833

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

Graph Blockchain Inc.

Interim Condensed Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

	Six months ended October 31, 2023 \$	Six months ended October 31, 2022 \$
Cash flows used in operating activities		
Net loss	(1,013,401)	(2,257,373)
Adjustments to reconcile net loss to operating cash flow		
Sales made in digital assets, net of cost of sales	-	(305)
Depreciation and amortization	-	124,833
Loss on sale of digital assets	4,755	-
Share-based compensation	403,000	-
Impairment on digital assets	116,577	502,483
Interest income	(14,991)	-
Interest earned on digital assets	-	(19,146)
Fair value adjustment on short-term investments	(60,769)	-
Net change in operating assets and liabilities		
Trade and other receivables	-	15,129
Goods and Services Tax receivable	(1,726)	(126,339)
Prepaid expenses	6,416	(64,000)
Accounts payable and accrued liabilities	8,646	(518,919)
	<u>(551,493)</u>	<u>(2,343,637)</u>
Cash flows provided by investing activities		
Proceeds from sale of digital assets	434,703	-
	<u>434,703</u>	<u>-</u>
Cash flows provided by financing activities		
Receipt of loan receivable	5,000	-
	<u>5,000</u>	<u>-</u>
Effect of exchange rate changes on cash and cash equivalents	17,000	822
Decrease in cash and cash equivalents	(94,790)	(2,342,815)
Cash and cash equivalents, beginning of period	296,729	3,653,410
Cash and cash equivalents, end of period	<u>201,939</u>	<u>1,310,595</u>

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

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended October 31, 2023 and 2022

(Expressed in Canadian dollars)

(Unaudited)

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 \$1,013,401 and negative cash flows from operations of \$551,493 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 unaudited interim condensed consolidated financial statements (“interim financial statements”) were prepared using the same accounting policies and methods as those used in the Company’s audited consolidated financial statements for the year ended April 30, 2023. These interim condensed consolidated financial statements are in compliance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). Accordingly, certain information and footnote disclosure normally included in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), have been omitted or condensed.

These interim condensed consolidated financial statements were approved and authorized for issuance by the Company’s Board of Directors on December 18, 2023. These interim condensed consolidated financial statements are presented in Canadian dollars which is also the Company’s functional currency. The Company has the following wholly owned entities, the South Korean branch of Graph (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 interim condensed consolidated financial statements, unless otherwise indicated.

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended October 31, 2023 and 2022

(Expressed in Canadian dollars)

(Unaudited)

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 interim condensed consolidated financial statements include the accounts of the Company's wholly owned subsidiaries, BluStem Ltd., Babbage Mining Corp., Beyond the Moon Inc., New World Inc., Optimum Coin Analyser Inc., and Niftable Inc., 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 interim condensed consolidated financial statements, and any unrealized income and expenses arising from intercompany transactions, are eliminated.

Critical Accounting Estimates and Judgements

The preparation of these interim condensed consolidated financial statements in conformity with IFRS requires management to make estimates and judgements that affect the applications of accounting policies regarding certain types of assets, liabilities, revenues, and expenses in the preparation of these interim condensed consolidated financial statements. Estimates and judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. These estimates and assumptions are based on management's historical experience, best knowledge of current events and conditions and activities that the Company may undertake in the future. Actual results could differ materially from these estimates.

Judgements

Areas requiring judgements include timing of recognizing revenue, impairment of financial assets, 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.

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.

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended October 31, 2023 and 2022

(Expressed in Canadian dollars)

(Unaudited)

2 Significant accounting policies (continued)

Critical Accounting Estimates and Judgements (continued)

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.

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.

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended October 31, 2023 and 2022

(Expressed in Canadian dollars)

(Unaudited)

2 Significant accounting policies (continued)

Critical Accounting Estimates and Judgements (continued)

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.

Accounting Standards Adopted

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.

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended October 31, 2023 and 2022

(Expressed in Canadian dollars)

(Unaudited)

2 Significant accounting policies (continued)

Accounting Standards Adopted (continued)

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. These amendments did not 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. These amendments did not have a material impact on the consolidated financial statements.

Accounting Standards Issued But Not Yet Applied

The following new standards, amendments and interpretations have been issued but are not effective for the six months ending October 31, 2023 and, accordingly, have not been applied in preparing these interim condensed 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 Interim Condensed Consolidated Financial Statements

For the six months ended October 31, 2023 and 2022

(Expressed in Canadian dollars)

(Unaudited)

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.

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

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 Interim Condensed Consolidated Financial Statements

For the six months ended October 31, 2023 and 2022

(Expressed in Canadian dollars)

(Unaudited)

3 Asset acquisitions and business combinations (continued)

	Amount
	\$
Purchase price	
4,615,383 common shares	2,769,231
4,615,383 share purchase warrants	1,417,529
Total consideration paid	4,186,760
Less net equity acquired	
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)
Total identifiable net equity acquired	328,335
Goodwill arising on acquisition	3,858,425

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 Interim Condensed Consolidated Financial Statements

For the six months ended October 31, 2023 and 2022

(Expressed in Canadian dollars)

(Unaudited)

3 Asset acquisitions and business combinations (continued)

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

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

	Amount
	\$
Purchase price	
5,200,000 common shares	1,820,000
	<hr/>
Total consideration paid	1,820,000
	<hr/>
Less net equity acquired	
Cash and cash equivalents	13,000
Accounts payable	(6,131)
	<hr/>
Total identifiable net equity acquired	6,869
	<hr/>
Consideration paid in excess of net equity acquired	1,813,131
	<hr/>

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 Interim Condensed Consolidated Financial Statements

For the six months ended October 31, 2023 and 2022

(Expressed in Canadian dollars)

(Unaudited)

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 October 31, 2023, fair value of the shares and warrants were \$120,000 (April 30, 2023 - \$90,000) and \$66,769 (April 30, 2023 - \$36,000) respectively. During the six months ended October 31, 2023, a fair value adjustment of \$60,769 (2022 - \$Nil) is recorded as unrealized gain on short-term investments in the statement of net loss and comprehensive loss.

5 Property and equipment

	Computer equipment \$	Office equipment and furniture \$	Total \$
Cost			
Balance at April 30, 2022	22,512	2,616	25,128
Additions	-	-	-
Balance at April 30, 2023 and October 31, 2023	22,512	2,616	25,128
Accumulated depreciation			
Balance at April 30, 2022	22,512	2,137	24,649
Depreciation	-	479	479
Balance at April 30, 2023 and October 31, 2023	22,512	2,616	25,128
Carrying amounts			
Balance at April 30, 2023	-	-	-
Balance at October 31, 2023	-	-	-

6 Digital assets

As of October 31, 2023 and April 30, 2023, the Company holds digital assets at lower of cost and net realizable value as follows:

	October 31, 2023		April 30, 2023	
	Units	\$	Units	\$
Chainlink	-	-	12,500	119,544
Polkadot	-	-	23,893	191,208
Tezos	-	-	104,465	142,333
Others		133,206		236,156
		133,206		689,241

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended October 31, 2023 and 2022

(Expressed in Canadian dollars)

(Unaudited)

6 Digital assets (continued)

Others include 53 units of Ethereum valued at \$133,206 (April 30, 2023 – 40 units valued at \$101,066), Nil units of Duck valued at \$Nil (April 30, 2023 – 100,000 units valued at \$4,905), Nil units of USDC valued at \$Nil (April 30, 2023 – 1,642 units valued at \$2,227), Nil units of Pols valued at \$Nil (April 30, 2023 – 3,500 units valued at \$2,039), Nil units of Poolz valued at \$Nil (April 30, 2023 – 13,000 Poolz valued at \$64,263), Nil units of BNB valued at \$Nil (April 30, 2023 – \$110 units valued at \$50,150), Nil units of USDT valued at \$Nil (April 30, 2023 – 7,593 units valued at \$10,302) and Nil units of WETH valued at \$Nil (April 30, 2023 – 1 unit valued at \$1,204). The fair value of the crypto coins is determined using unit price from coinmarketcap.com on October 31, 2023.

During the six months ended October 31, 2023, the Company recognized an impairment loss of \$116,577 (2022 – \$502,483) on its investment in digital assets to reflect the market price on October 31, 2023 as a result of the drop in market price below cost for a significant period of time.

During the six months ended October 31, 2023, the Company disposed 23,893 units of Polkadot and 111 units of Ethereum for total proceeds of \$434,703 resulting in a loss on sale of \$4,755.

7 Intangible assets

	Artist Relationship \$	Technology \$	Total \$	Goodwill \$
Cost				
Balance at April 30, 2022	1,281,000	713,000	1,994,000	3,858,425
Impairment loss	(1,281,000)	(463,000)	(1,744,000)	(3,858,425)
Balance at April 30, 2023 and October 31, 2023	<u>-</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Accumulated amortization				
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)	-
Balance at April 30, 2023 and October 31, 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amounts				
Balance at October 31, 2023	<u>-</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Balance at April 30, 2023	<u>-</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended October 31, 2023 and 2022

(Expressed in Canadian dollars)

(Unaudited)

7 Intangible assets (continued)

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.

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, 2022	57,770,118	41,195,973
Shares issued for debt	<u>10,000,000</u>	<u>400,000</u>
Shares issued and outstanding on April 30, 2023	67,770,118	41,595,973
Shares issued for RSUs	<u>13,500,000</u>	<u>403,000</u>
Shares issued and outstanding on October 31, 2023	<u>81,270,118</u>	<u>41,998,973</u>

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended October 31, 2023 and 2022

(Expressed in Canadian dollars)

(Unaudited)

8 Share capital and reserves (continued)

a) Common shares (continued)

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.

On June 19, 2023, the Company issued 2,200,000 common shares valued at \$77,000 related to the vesting of RSUs. The Company reclassified \$77,000 from reserves to share capital.

On July 31, 2023, the Company issued 4,000,000 common shares valued at \$143,550 related to the vesting of RSUs. The Company reclassified \$180,000 from reserves to share capital.

On October 6, 2023, the Company issued 7,300,000 common shares valued at \$146,000 related to the vesting of RSUs. The Company reclassified \$146,000 from reserves to share capital.

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, 2022	30,829,097	1.35
Warrants expired	<u>(10,842,298)</u>	<u>1.16</u>
Warrants outstanding on April 30, 2023	19,986,799	1.45
Warrants expired	<u>(11,758,231)</u>	<u>1.25</u>
Warrants outstanding on October 31, 2023	<u>8,228,568</u>	<u>1.74</u>

As of October 31, 2023, the outstanding warrants had a remaining useful life of 1.45 years with a reserve balance of \$11,557,429 (April 30, 2023 – 1.35 years with a reserve balance of \$11,557,429).

As of October 31, 2023, the following warrants were outstanding:

Number of warrants	Exercise price	Expiry date
7,619,045	\$1.750	March 26, 2026
<u>609,523</u>	\$1.6406	March 26, 2026
<u>8,228,568</u>		

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended October 31, 2023 and 2022

(Expressed in Canadian dollars)

(Unaudited)

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, 2022	4,480,000	1.31
Stock options expired	(1,720,000)	2.13
Stock options cancelled	(2,760,000)	0.81
Stock options outstanding and exercisable on April 30, 2023 and October 31, 2023	-	-

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.

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.

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. During the six months ended October 31, 2023, a total of 1,400,000 RSUs were cancelled and the Company amended the vesting date of the remaining RSUs to July 31, 2023. 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 \$180,000 (2022 - \$Nil) related to these RSUs calculated as follows: (1) quoted market price of the Company's shares of \$0.045 and (2) forfeiture rate of 26%.

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended October 31, 2023 and 2022

(Expressed in Canadian dollars)

(Unaudited)

8 Share capital and reserves (continued)

d) Restricted stock unit (“RSU”) (continued)

On June 9, 2023, the Company has issued RSUs of an aggregate of 2,200,000 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 vested immediately. 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 \$77,000 (2022 - \$Nil) related to these RSUs calculated using the quoted market price of the Company’s shares of \$0.035.

On October 3, 2023, the Company has issued RSUs of an aggregate of 7,300,000 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 vested immediately. 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 \$146,000 (2022 - \$Nil) related to these RSUs calculated using the quoted market price of the Company’s shares of \$0.02.

9 Net loss per share

	Six months ended October 31, 2023	Six months ended October 31, 2022
Net loss	\$ (1,013,401)	\$ (2,257,373)
Weighted average number of shares outstanding	72,364,140	57,770,170
Basic and diluted loss per share	<u>\$ (0.014)</u>	<u>\$ (0.039)</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 October 31, 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 October 31, 2023 and April 30, 2023:

	October 31, 2023	April 30, 2023
Common shares issued and outstanding	81,270,118	67,770,118
Warrants	8,228,568	19,986,799
Restricted stock units	-	5,400,000
	<u>89,498,686</u>	<u>93,156,917</u>

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended October 31, 2023 and 2022

(Expressed in Canadian dollars)

(Unaudited)

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 October 31, 2023, a trade receivable balance of \$400,570 (April 30, 2023 - \$405,570) 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 ended April 30, 2023, the Company received \$45,000 and \$360,570 remains outstanding. The Company recorded an interest expense of \$102,400 to present value the long-term loan receivable using the incremental borrowing rate of 12%. During the six months ended October 31, 2023, the Company received \$5,000, of which \$60,000 was classified as a current portion.

c) Accounts payable and accrued liabilities

As of October 31, 2023, an amount of \$14,000 (April 30, 2023 - \$6,000) included in accounts payable and accrued liabilities is due to certain officers and directors of the Company.

d) Intangible assets

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

e) Other income

During the six months ended October 31, 2023, the Company recognized \$14,531 (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:

	Six months ended October 31, 2023	Six months ended October 31, 2022
	\$	\$
Consulting fees included in other operating expenses	120,000	227,000
Share-based compensation	173,083	-
Salaries and benefits	12,517	237,825
	<u>305,600</u>	<u>464,825</u>

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended October 31, 2023 and 2022

(Expressed in Canadian dollars)

(Unaudited)

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 October 31, 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 Interim Condensed Consolidated Financial Statements

For the six months ended October 31, 2023 and 2022

(Expressed in Canadian dollars)

(Unaudited)

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	130,835	-	-	130,835
Balance on April 30, 2023	130,835	-	-	130,835
Accounts payable and accrued liabilities	139,481	-	-	139,481
Balance on October 31, 2023	139,481	-	-	139,481

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 October 31, 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 \$70,000 (2022 - \$65,000) in comprehensive income/loss for the period.

Fair values of financial instruments

IFRS 7 - Financial Instruments: Disclosures requires disclosure of a three-level hierarchy ("FV hierarchy") that reflects the significance of the inputs used in making fair value measurements and disclosures. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include those whose valuations are determined using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are those based on inputs that are unobservable and significant to the overall fair value measurement. As of October 31, 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 Interim Condensed Consolidated Financial Statements

For the six months ended October 31, 2023 and 2022

(Expressed in Canadian dollars)

(Unaudited)

12 Capital management

The Company defines its capital as its shareholders' equity in the amount of \$962,833 (April 30, 2023 - \$1,556,234). 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 six months ended October 31, 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

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 October 31, 2023, the loan payable balance was \$Nil.

15 Subsequent events

On November 13, 2023, the Company signed a definitive agreement to acquire DataMetrex Electric Vehicle Solutions Inc. ("DM EVS") from Datametrex AI Limited ("Datametrex"). The total aggregate purchase price is an aggregate of to \$3,750,000, subject to meeting certain milestones. The Company shall pay the sum of \$750,000 by issuing to Datametrex 15,000,000 common shares of the Company. In addition, up to three Earn-Out Payments of \$1,000,000 each may be payable by the Company to Datametrex if DM EVS achieves certain milestone over the next three years. The transaction closed on December 7, 2023.

On December 13, 2023, the Company has issued RSUs of an aggregate of 7,000,000 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. 25% of these RSUs vest immediately, 25% vest on March 11, 2024, 25% vest on June 11, 2024 and 25% vest on September 11, 2024.