

Graph Blockchain Inc.

Management's Discussion and Analysis

For the three months ended July 31, 2021

(Expressed in Canadian dollars)

Graph Blockchain Inc.

Management's Discussion and Analysis for the Three Months Ended July 31, 2021 and 2020

The following discussion and analysis, prepared as of September 28, 2021, provides information that management believes is relevant to an assessment and understanding of the results of operations and financial conditions of Graph Blockchain Inc. (the "Company"). The Management's Discussion and Analysis ("MD&A") should be read in conjunction with the interim condensed consolidated financial statements of the Company for the three months ended July 31, 2021 and the audited consolidated financial statements of the Company for the year ended April 30, 2021. Unless otherwise noted, all financial information in the MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

Forward Looking Statements

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

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

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

Selected Financial Information

Non-GAAP Measures

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

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The following table reconciles income from operations to EBITDA and Adjusted EBITDA for the three months ended July 31, 2021 and 2020:

	Three months ended July 31, 2021	Three months ended July 31, 2020
	\$	\$
Net loss	(5,776,509)	(157,533)
Depreciation and amortization	131	131
Interest expense	-	2,351
EBITDA	(5,776,378)	(155,051)
Consideration paid in excess of net assets acquired – Beyond the Moon Inc.	4,683,910	-
Adjusted EBITDA	(1,092,468)	(155,051)
Weighted average number of common shares	398,540,892	150,744,654
Adjusted EBITDA per share	(0.003)	(0.001)

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

Business Overview

The Company is a blockchain company that provides shareholders with exposure to various areas of Decentralized Finance (DeFi) through several wholly owned subsidiaries, Babbage Mining Corp., Beyond The Moon Inc., New World Inc. and Coin Optimizer Inc.

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

The Company is a publicly traded corporation, incorporated in the province of British Columbia, and its head office is located at 4711 Yonge St., Suite 1000, Toronto, Ontario, M2N 6K8 Canada. The Company’s common shares are listed on the Canadian Securities Exchange under the trading symbol “GBLC”. The Company was incorporated under the laws of the Province of British Columbia on October 6, 1982. On November 6, 2018, the Company completed its acquisition of BluStem Ltd. (formerly Graph Blockchain Limited) (“BluStem”) through a reverse takeover, and changed the Company’s name to Graph Blockchain Inc.

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Summary of Financial Results

Expenses

For the three months ended July 31, 2021, the Company incurred \$1,127,651 (2020 - \$148,057) of operating expenses. Significant items are noted:

- Salaries, benefits and management fees of \$10,392 (2020 - \$39,000) decreased mainly as a result management fees paid/accrued to former management members during the comparative period, refer to "Related Party Transactions" section for more information.
- Office and general of \$23,211 (2020 - \$6,794) increased mainly due to corporate travel and bank transaction fees incurred during the current period.
- Other operating expenses in the amount of \$1,093,917 (2020 - \$94,327) mainly consisted of advertising related to various marketing campaigns and consulting/professional fees mainly related to the acquisition of Beyond the Moon Inc. and New World Inc., business valuation, investor relations and audit fees, refer to "Related Party Transactions" section for more information.

During the three months ended July 31, 2021, the Company recorded a gain on settlement of debts of \$10,000 resulting from the early repayment of the Canada Emergency Business Account prior to December 31, 2022.

During the three months ended July 31, 2021, the Company recognized consideration paid in excess of net assets acquired of \$4,683,910 related to the acquisition of 100% of Beyond the Moon Inc. pursuant to the terms of a share exchange agreement.

Summary of Quarterly Results

The following is a summary of the Company's quarterly results, beginning with the three months ended October 31, 2019 ("Q2 - 20").

	Q1 - 22	Q4 - 21	Q3 - 21	Q2 - 21	Q1 - 21	Q4 - 20	Q3 - 20	Q2 - 20
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenue	-	15,808	20,356	397,051	-	-	-	-
Net income (loss)	(5,776,509)	(13,463,555)	(1,793,068)	84,483	(157,533)	(317,574)	204,347	(11,429)
Net income (loss) per share	(0.014)	(0.047)	(0.011)	0.001	(0.001)	(0.002)	0.001	(0.0001)
EBITDA	(5,776,378)	(13,463,414)	(1,792,912)	84,618	(155,051)	(285,561)	176,157	(10,543)
Adjusted EBITDA	(1,092,468)	(868,083)	(173,045)	84,618	(155,051)	(274,634)	178,530	(4,258)
Adjusted EBITDA per share	(0.003)	(0.003)	(0.001)	0.001	(0.001)	(0.002)	0.001	(0.000)

During the quarter ended October 31, 2020, the increase in revenue to \$397,051 was a result of the sale of COVID-19 equipment and supplies.

During the quarter ended January 31, 2021, the increase in net loss to \$1,739,068 was mainly a result of share-based compensation of \$1,619,867 related to the granting of stock options to certain management, directors, consultants and advisors of the Company.

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During the quarter ended April 30, 2021, the increase in net loss to \$13,463,555 was mainly a result of share-based compensation of \$6,732,216 related to the granting of stock options to certain management, directors, employees and advisors of the Company and exercising of 6,600,000 warrants at a price of \$0.10 per share. In addition, the Company recognized consideration paid in excess of net assets acquired of \$5,863,115 related to the acquisition of 100% of Babbage Mining Corp. pursuant to the terms of a share exchange agreement.

During the quarter ended July 31, 2021, the increase in net loss to \$5,776,509 was mainly a result of conducting marketing campaign and investor relation activities. In addition, the Company recognized consideration paid in excess of net assets acquired of \$4,683,910 related to the acquisition of 100% of Beyond the Moon Inc. pursuant to the terms of a share exchange agreement.

Segment information

The Company has two geographic segments as defined in note 4 to the consolidated financial statements for the three months ended July 31, 2021 and 2020.

Segment information of the Company is summarized as follows:

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

Liquidity, Capital Resources, and Cash Flow

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

For the three months ended July 31, 2021, net cash used in operating activities was \$1,034,266 (2020 – \$326,170), net cash used in investing activities was \$818,195 (2020 – \$Nil) mainly related to the purchase of digital assets, and net cash used in financing activities was \$150,000 (2020 – cash inflow of \$323,258) related to the repayment of several loans payable compared to the completion of a private placement during the comparative period.

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The consolidated financial statements were prepared on a going concern basis under the historical cost basis of accounting. As at July 31, 2021, the Company has an accumulated deficit of \$31,607,026 (April 30, 2021 - \$25,830,517). For the three months ended July 31, 2021, the Company recognized a net loss of \$5,776,509 (2020 - \$157,533) and had net cash outflows from operating activities of \$1,034,266 (2020 - \$326,170).

Related Party Transactions

a) Trade and other receivables

As at July 31, 2021, an amount of \$405,570 (April 30, 2021 - \$405,570) included trade and other receivables related to the sale of COVID-19 related equipment and supplies is due from ScreenPro Security Inc., a company with certain directors in common with the Company.

b) Accounts payable and accrued liabilities

As at July 31, 2021, an amount of \$2,200 (April 30, 2021 - \$4,300) included accounts payable and accrued liabilities related to services provided to the Company is due to certain officers and directors of the Company.

c) Loans payables

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

d) Compensation of key management personnel

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

	Three months ended July 31, 2021	Three months ended July 31, 2020
	\$	\$
Accounting fees included in other operating expenses	36,000	2,000
Consulting fees included in other operating expenses	55,500	32,000
Management fees	-	39,000
	<u>91,500</u>	<u>73,000</u>

Subsequent Events

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

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

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

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Contingency

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

Off Balance Sheet Arrangements

In March 2020, the Company entered into a service agreement with a financial advisor. According to the agreement, the Company has an obligation to grant the advisor share options to purchase Common shares in the Company which will equal 2.5% of the total fully diluted shares. The Options will be granted once the Option Plan is in place and approved at the Company's upcoming AGM and is subject to approval from the regulatory (such as Canadian Securities Exchange) bodies. The Company entered into a twelve-month agreement included in the service agreement with financial advisor. The payment shall be comprised of \$15,000 monthly payments made in stock that will be paid at a deemed price of \$0.05 per share. As at July 31, 2021, no shares have been issued to the financial advisor. See "Contingency" section above.

Outstanding Share Information

The Company is authorized to issue an unlimited number of common shares with no par value. As at the date this MD&A is prepared, the Company had 521,701,704 common shares issued and outstanding, 310,234,189 warrants issued and 44,800,000 stock options issued.

Risk Factors

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

Proposed Transactions

The Company has announced that in order to better create value for its shareholders it plans to spin out its assets to create three pure play companies in the DeFi sector. Optimum Coin Analyser Inc. will be spun out as a stand-alone company focused on software for crypto trader. While Beyond the Moon and Babbage will be combined to focus on altcoins. Graph will be left with the New World asset and focus exclusively on NFTS.

Other Information

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