

Graph Blockchain Inc.

Consolidated Financial Statements **For the Years Ended April 30, 2022 and 2021** (Expressed in Canadian dollars)

Consolidated Financial Statements

Consolidated Statements of Financial Position	5
Consolidated Statements of Net Loss and Comprehensive Loss	6
Consolidated Statements of Changes in Shareholders' Equity	7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9-36



KINGSTON
ROSS
PASNAK LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Suite 1500, 9888 Jasper Avenue NW
Edmonton, Alberta T5J 5C6
T. 780.424.3000 | F. 780.429.4817 | W. krpgroup.com

August 25, 2022
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

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 statement of financial position as at April 30, 2022 and 2021, the consolidated statements of net loss and comprehensive loss, changes in shareholders' equity and cash flows for the year 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, 2022 and 2021, 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 \$24,044,845 and had a net cash outflows from operating activities of \$5,663,579 during the year ended April 30, 2022 and as of that date, had an accumulated deficit of \$49,875,362. 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.

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.

(continues)

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

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.
- 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.

(continues)

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

- 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.

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, 2022 \$	April 30, 2021 \$
Assets		
Current assets		
Cash and cash equivalents	3,653,410	8,802,843
Trade and other receivables (Notes 9 and 10)	427,822	418,015
Goods and Services Tax receivable	448,658	40,101
Prepaid expenses	-	81,283
Total current assets	4,529,890	9,342,242
Non-current assets		
Property and equipment (Note 4)	479	1,003
Digital assets (Note 5)	1,154,672	2,408,596
Intangible assets (Note 6)	1,786,381	-
Goodwill (Note 3 and 6)	3,858,425	-
Total non-current assets	6,799,957	2,409,599
Total assets	11,329,847	11,751,841
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	894,543	742,404
Non-current liabilities		
Loan payable (Note 13)	500	40,000
Other long-term liability (Note 3)	900,000	-
Total non-current liabilities	900,500	40,000
Total liabilities	1,795,043	782,404
Shareholders' equity		
Share capital (Note 7)	41,195,973	26,527,665
Reserves (Note 7)	18,213,014	10,271,124
Accumulated other comprehensive income	1,179	1,165
Accumulated deficit	(49,875,362)	(25,830,517)
Total shareholders' equity	9,534,804	10,969,437
Total liabilities and shareholders' equity	11,329,847	11,751,841

Contingency (Note 12)

Signed "Young Cho Lee" Director

Signed "Alex MacKay" Director

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

Graph Blockchain Inc.

Consolidated Statement of Net Loss and Comprehensive Loss (Expressed in Canadian dollars, except number of common shares)

	Year ended April 30, 2022	Year ended April 30, 2021
	\$	\$
Sales (Note 9)	44,742	433,215
Cost of sales (Note 9)	<u>(3,941)</u>	<u>(377,969)</u>
Gross profit	<u>40,801</u>	<u>55,246</u>
Expenses		
Depreciation and amortization (Note 4 and 6)	208,142	523
Gain on sale of digital assets (Note 5)	(703,765)	-
Loss on disposal of assets	-	7,805
Office and general	422,735	48,147
Other operating expenses (Note 9)	4,412,249	1,013,951
Salaries, benefits and management fees (Note 9)	403,663	51,224
Share-based compensation (Notes 7 and 9)	<u>781,156</u>	<u>8,352,083</u>
	<u>5,524,180</u>	<u>9,473,733</u>
Loss before other income (expenses)	(5,483,379)	(9,418,487)
Other income (expenses)		
Consideration paid in excess of net assets acquired from acquisitions (Note 3)	(17,087,564)	(5,863,115)
Foreign exchange gain (loss)	23,208	(47,300)
Forgivable portion of Canada Emergency Business Account loan (Note 13)	10,000	-
Gain on settlement of debts (Note 7)	-	193,002
Impairment of digital assets (Note 5)	(1,666,478)	(191,404)
Interest expenses	(281)	(2,369)
Interest income	8,297	-
Other income	<u>151,352</u>	<u>-</u>
Net loss	<u>(24,044,845)</u>	<u>(15,329,673)</u>
Other comprehensive income		
Foreign exchange translation adjustment	<u>14</u>	<u>4,035</u>
Comprehensive loss	<u>(24,044,831)</u>	<u>(15,325,638)</u>
Basic and diluted net loss per share (Note 8)	(0.048)	(0.081)
Weighted average number of common shares (Note 8)	499,775,840	189,573,887

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

Graph Blockchain Inc.

Consolidated Statement of Changes in Shareholders' Equity

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

	Common Shares			Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	Number	Amount \$	Reserves \$			
Balance – April 30, 2020	143,284,581	9,564,871	418,926	(10,500,844)	(2,870)	(519,917)
Shares issued under private placement (Note 7)	116,807,143	12,666,000	-	-	-	12,666,000
Shares issued for finders' fee (Note 7)	166,553	6,662	-	-	-	6,662
Shares issued for debts (Note 7)	7,720,080	193,002	-	-	-	193,002
Shares issued for options exercised (Note 7)	17,800,000	2,381,152	(1,817,652)	-	-	563,500
Shares issued for warrants exercised (Note 7)	12,127,084	1,439,388	(1,083,763)	-	-	355,625
Shares issued for Babbage Mining Corp. acquisition (Note 7)	60,000,000	2,585,850	3,277,265	-	-	5,863,115
Share issuance costs (Note 7)	-	(2,309,260)	1,124,265	-	-	(1,184,995)
Share-based compensation (Note 7)	-	-	8,352,083	-	-	8,352,083
Foreign exchange translation	-	-	-	-	4,035	4,035
Net loss for the year	-	-	-	(15,329,673)	-	(15,329,673)
Balance – April 30, 2021	357,905,441	26,527,665	10,271,124	(25,830,517)	1,165	10,969,437
Shares issued for warrants exercised (Note 7)	60,000	4,571	(971)	-	-	3,600
Shares issued for Beyond the Moon Inc. acquisition (Note 7)	46,153,846	3,923,077	1,179,892	-	-	5,102,969
Shares issued for New World Inc. acquisition (Note 7)	46,153,846	2,769,231	1,417,529	-	-	4,186,760
Shares issued for Optimum Coin Analyser Inc. acquisition (Note 7)	71,428,571	6,071,429	4,564,284	-	-	10,635,713
Shares issued for Niftable Inc. acquisition (Note 7)	52,000,000	1,820,000	-	-	-	1,820,000
Shares issued for marketing expense (Note 7)	4,000,000	80,000	-	-	-	80,000
Share-based compensation (Note 7)	-	-	781,156	-	-	781,156
Foreign exchange translation	-	-	-	-	14	14
Net loss for the year	-	-	-	(24,044,845)	-	(24,044,845)
Balance – April 30, 2022	577,701,704	41,195,973	18,213,014	(49,875,362)	1,179	9,534,804

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, 2022	Year ended April 30, 2021
	\$	\$
Cash flows used in operating activities		
Net loss	(24,044,845)	(15,329,673)
Adjustments to reconcile net loss to operating cash flow		
Sales made in digital assets, net of cost of sales	(160,432)	-
Depreciation and amortization	208,142	523
Share-based marketing fees	80,000	-
Share-based compensation	781,156	8,352,083
Gain on sale of digital assets	(703,765)	-
Loss on disposal of assets	-	7,805
Forgivable portion of CEBA loan	(10,000)	-
Gain on settlement of debts	-	(193,002)
Impairment on digital assets	1,666,478	191,404
Consideration paid in excess of net assets acquired from acquisitions	17,087,564	5,863,115
Net change in operating assets and liabilities		
Trade and other receivables	(9,807)	(409,816)
Goods and Services Tax receivable	(327,880)	(35,987)
Prepaid expenses	81,283	(70,483)
Accounts payable and accrued liabilities	(311,473)	471,733
	<u>(5,663,579)</u>	<u>(1,152,298)</u>
Cash flows from (used in) investing activities		
Purchase of intangible assets	(125,000)	-
Purchase of digital assets	(843,123)	(2,600,000)
Proceeds from sale of digital assets	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	-
	<u>660,532</u>	<u>(2,600,000)</u>
Cash flows from (used in) financing activities		
Loan payable	(150,000)	40,000
Proceeds from issuance of share capital, net	-	11,487,667
Proceeds from options exercised	-	563,500
Proceeds from warrants exercised	3,600	355,625
	<u>(146,400)</u>	<u>12,446,792</u>
Effect of exchange rate changes on cash and cash equivalents	14	3,097
Increase (decrease) in cash and cash equivalents	(5,149,433)	8,697,591
Cash and cash equivalents, beginning of year	<u>8,802,843</u>	<u>105,252</u>
Cash and cash equivalents, end of year	<u>3,653,410</u>	<u>8,802,843</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, 2022 and 2021

(Expressed in Canadian dollars)

1 Description of business and going concern

Graph Blockchain Inc. (the “Company” or “Graph”) is a blockchain development 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 \$24,044,845 and negative cash flows from operations of \$5,663,579 that has primarily been funded through financing activities in 2021. 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 to date, as evidenced by proceeds raised from non-brokered private placement in 2021 and warrant exercised (see Note 7), 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.

The Company continues to monitor COVID-19 developments. During the year ended April 30, 2022, the pandemic had no material impact on the Company’s operation as a going concern and day to day operations remain largely unchanged.

2 Significant accounting policies

Basis of presentation and statement of compliance

These consolidated financial statements for the Company as at and for the years ended April 30, 2022 and 2021 (“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, 2022. 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, 2022 and 2021

(Expressed in Canadian dollars)

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. as defined in Note 3 below, and a branch located in South Korea. Any references to Company include references to such entities. Intercompany balances and transactions are eliminated upon consolidation and preparation of these consolidated financial statements, and any unrealized income and expenses arising from intercompany transactions, are eliminated.

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 have been met, payment terms have been identified and collection is reasonably assured.

Revenue from sale of COVID-19 test kits is recognized upon shipment of the product to the customer, provided transfer of title to the customer occurs upon shipment and provided the Company has not retained any significant risks of ownership or future obligations with respect to the product shipped, the price is fixed and determinable 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, 2022 and 2021

(Expressed in Canadian dollars)

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 live 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, 2022 consist of \$1,281,000 customer relationships and \$463,000 technology which is being amortized on a straight-line basis over 7 years. The remaining \$250,000 in technology represents software development which is not amortized as the software was not completed and ready for year at April 30, 2022.

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 IAS 39 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, 2022 and 2021

(Expressed in Canadian dollars)

2 Significant accounting policies (continued)

Loss per share

The calculation of earnings per share is based on the reported net loss available by the weighted average number of shares outstanding during the reporting year. Diluted earnings 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.

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.

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

	Classification
Cash and cash equivalents	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.

Graph Blockchain Inc.

Notes to Consolidated Financial statements

For the year ended April 30, 2022 and 2021

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

Financial instruments (continued)

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.

b) 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.

Graph Blockchain Inc.

Notes to Consolidated Financial statements

For the year ended April 30, 2022 and 2021

(Expressed in Canadian dollars)

2 Significant accounting policies (continued)

Financial instruments (continued)

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

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.

Graph Blockchain Inc.

Notes to Consolidated Financial statements

For the year ended April 30, 2022 and 2021

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

Impairment of non-financial assets (continued)

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.

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.

Graph Blockchain Inc.

Notes to Consolidated Financial statements
For the year ended April 30, 2022 and 2021
(Expressed in Canadian dollars)

2 Significant accounting policies (continued)

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.

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.

Graph Blockchain Inc.

Notes to Consolidated Financial statements

For the year ended April 30, 2022 and 2021

(Expressed in Canadian dollars)

2 Significant accounting policies (continued)

Critical Accounting Estimates and Judgements (continued)

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.

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.

Graph Blockchain Inc.

Notes to Consolidated Financial statements
For the year ended April 30, 2022 and 2021
(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

Critical Accounting Estimates and Judgements (continued)

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 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, 2022 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 change 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 is assessing the potential impact of these amendments.

IAS 12: 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 is assessing the potential impact of the amendment.

Graph Blockchain Inc.

Notes to Consolidated Financial statements
For the year ended April 30, 2022 and 2021
(Expressed in Canadian dollars)

3 Asset acquisitions and business combinations

a) Acquisitions in 2022

Beyond the Moon Inc.

In June 2021, the Company closed its acquisition of 100% of Beyond the Moon Inc.'s ("Moon") issued and outstanding securities pursuant to the terms of the share exchange agreement entered between the Company, Moon and the shareholders of Moon. The Company issued 46,153,846 units of the Company comprised of one common share of the Company and one half share purchase warrant to Moon shareholders. Each whole warrant is exercisable into one common share at a price of \$0.18 per common share for a period of 18 months. The share purchase warrants were accounted for as an equity instrument under IFRS 2 – Share Based Payments and recorded at fair value on the acquisition date using the Black-Scholes pricing model.

The acquisition of Moon does not constitute a business combination because the entity does not meet the definition of a business under IFRS 3 – Business Combination. As a result, the transaction has been measured at the fair value of equity consideration issued to acquire this entity.

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

	Amount
	\$
Purchase price	
46,153,846 common shares	3,923,077
23,076,923 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 46,153,846 units of the Company comprised of one common share of the Company and one share purchase warrant to New World shareholders. Each warrant is exercisable into one common share at a price of \$0.18 per common share for a period of 24 months. In addition, the shareholders of New World can earn additional bonus milestone based payments of up to \$13,000,000, also payable in units based on achieving minimum net profit percentage of 25% and achieving minimum net revenue of \$6,000,000 as at the end of 2022 with a minimum net profit percentage of 50%. The shareholders of New World can also earn an additional 15,000,000 common shares of the Company, based on New World entering into contractual relationships with a minimum of 100 artists by December 31, 2021. The share purchase warrants were accounted for as an equity instrument under IFRS 2 – Share Based Payments and recorded at fair value on the acquisition date using the Black-Scholes pricing model.

Graph Blockchain Inc.

Notes to Consolidated Financial statements

For the year ended April 30, 2022 and 2021

(Expressed in Canadian dollars)

3 Asset acquisitions and business combinations (continued)

a) Acquisitions in 2022 (continued)

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

	Amount
	\$
Purchase price	
46,153,846 common shares	2,769,231
46,153,846 share purchase warrants	1,417,529
Total consideration paid	4,186,760
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	(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.

Sales and net loss that New World has contributed to the Company for the year ended April 30, 2022 is \$43,384 and \$1,668,269 respectively. The pro forma consolidated sales and net loss would have been \$53,419 and \$24,378,485 respectively if the acquisition took place on May 1, 2021.

Graph Blockchain Inc.

Notes to Consolidated Financial statements

For the year ended April 30, 2022 and 2021

(Expressed in Canadian dollars)

3. Asset acquisitions and business combinations (continued)

a) Acquisitions in 2022 (continued)

Optimum Coin Analyser Inc.

In August 2021, the Company closed its acquisition of 100% of Optimum Coin Analyser Inc.'s ("Optimum Coin") issued and outstanding securities pursuant to the terms of the share exchange agreement entered between the Company, Optimum Coin and the shareholders of Optimum Coin. The Company issued 71,428,571 units of the Company comprised of one common share of the Company and one share purchase warrant to Optimum Coin shareholders. Each warrant is exercisable into one common share at a price of \$0.09 per common share for a period of 24 months. The share purchase warrants were accounted for as an equity instrument under IFRS 2 – Share Based Payments and recorded at fair value on the acquisition date using the Black-Scholes pricing model.

The acquisition of Optimum Coin 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	
71,428,571 common shares	6,071,429
71,428,571 share purchase warrants	4,564,284
	<hr/>
Total consideration paid	10,635,713
	<hr/>
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
	<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 52,000,000 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.

Graph Blockchain Inc.

Notes to Consolidated Financial statements

For the year ended April 30, 2022 and 2021

(Expressed in Canadian dollars)

3. Asset acquisitions and business combinations (continued)

a) Acquisitions in 2022 (continued)

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

	Amount
	\$
Purchase price	
52,000,000 common shares	1,820,000
Total consideration paid	1,820,000
Net equity acquired	
Cash and cash equivalents	13,000
Accounts payable	(6,131)
Total identifiable net equity acquired	6,869
Consideration paid in excess of net equity acquired	1,813,131

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.

b) Asset acquisition in 2021

Babbage Mining Corp.

In February 2021, the Company closed its acquisition of 100% of Babbage Mining Corp.'s ("Babbage") issued and outstanding securities pursuant to the terms of the share exchange agreement entered between the Company, Babbage and the shareholders of Babbage. The Company issued 60,000,000 units of the Company comprised of one common share of the Company and one share purchase warrant to Babbage shareholders. Each warrant is exercisable into one common share at a price of \$0.10 per common share for a period of 18 months, subject to the Company's exercise of an Acceleration Right. The warrants are subject to an acceleration clause whereby if the common share price on the Canadian Securities Exchange is equal to or greater than \$0.15 per common share for a period of 10 consecutive trading days, the Company may, by notice of the holders of the warrants, reduce the remaining exercise period applicable to the warrants to no less than 30 days from the date of such notice. The share purchase warrants were accounted for as an equity instrument under IFRS 2 – Share Based Payments and recorded at fair value on the acquisition date using the Black-Scholes pricing model.

The acquisition of Babbage does not constitute a business combination because the entity does not meet the definition of a business under IFRS 3 – Business Combination. As a result, the transaction has been measured at the fair value of equity consideration issued to acquire this entity.

Graph Blockchain Inc.

Notes to Consolidated Financial statements

For the year ended April 30, 2022 and 2021

(Expressed in Canadian dollars)

3 Asset acquisitions and business combinations (continued)

b) Asset acquisition in 2021 (continued)

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

	Amount \$
Purchase price	
60,000,000 common shares	2,585,850
60,000,000 share purchase warrants	<u>3,277,265</u>
Total consideration paid	<u>5,863,115</u>
Consideration paid in excess of net equity acquired	<u>5,863,115</u>

As of April 30, 2021, the \$5,863,115 is recorded as consideration paid in excess of net assets acquired from acquisitions in the consolidated statement of net loss and comprehensive loss.

4 Property and equipment

	Computer equipment \$	Office equipment and furniture \$	Total \$
Cost			
Balance on April 30, 2020	40,220	2,616	42,836
Disposal	(17,400)	-	(17,400)
Cumulative translation adjustment (“CTA”)	(308)	-	(308)
Balance on April 30, 2021 and 2022	<u>22,512</u>	<u>2,616</u>	<u>25,128</u>
Accumulated depreciation			
Balance on April 30, 2020	32,277	1,090	33,367
Depreciation	-	523	523
Disposal	(9,595)	-	(9,595)
CTA	(170)	-	(170)
Balance on April 30, 2021	<u>22,512</u>	<u>1,613</u>	<u>24,125</u>
Depreciation	-	524	524
Balance on April 30, 2022	<u>22,512</u>	<u>2,137</u>	<u>24,649</u>
Carrying amounts			
Balance on April 30, 2021	-	1,003	1,003
Balance on April 30, 2022	<u>-</u>	<u>479</u>	<u>479</u>

Graph Blockchain Inc.

Notes to Consolidated Financial statements

For the year ended April 30, 2022 and 2021

(Expressed in Canadian dollars)

5 Digital assets

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

	April 30, 2022		April 30, 2021	
	Units	\$	Units	\$
Cardano	-		512,182	800,000
Chainlink	12,500	176,250	12,500	500,000
Polkadot	23,893	445,599	23,893	1,108,596
Tezos	102,917	327,000	-	-
Others		205,823	-	-
		<u>1,154,672</u>		<u>2,408,596</u>

Others include 40 units of Ethereum valued at \$139,194, 100,000 units of Duck valued at \$7,600, 1,598 units of USDC valued at \$2,044, 3,500 units of Pals valued at \$4,585 and 15,014 units of Poolz valued at \$52,400. The fair value of the crypto coins is determined using unit price from Coinbase.com on April 30, 2022.

During the year ended April 30, 2022, the Company recognized an impairment loss of \$1,666,478 (2021 - \$191,404) on its investment in digital assets to reflect the market price on April 30, 2022 as a result of the drop in market price below cost for a significant period of time.

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.

6 Intangible assets

	Artist Relationship	Technology	Total	Goodwill
	\$	\$	\$	\$
Cost				
Balance on April 30, 2021	-	-	-	-
Acquisitions through business combinations	1,281,000	588,000	1,869,000	3,858,425
Addition	-	125,000	125,000	-
Balance on April 30, 2022	<u>1,281,000</u>	<u>713,000</u>	<u>1,994,000</u>	<u>3,858,425</u>
Accumulated amortization				
Balance on April 30, 2021	-	-	-	-
Amortization	152,500	55,119	207,619	-
Balance on April 30, 2022	<u>152,500</u>	<u>55,119</u>	<u>207,619</u>	-
Carrying amounts				
Balance on April 30, 2022	<u>1,128,500</u>	<u>657,881</u>	<u>1,786,381</u>	<u>3,858,425</u>

Graph Blockchain Inc.

Notes to Consolidated Financial statements

For the year ended April 30, 2022 and 2021

(Expressed in Canadian dollars)

7 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.

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

	Number	Amount \$
Shares issued and outstanding on April 30, 2020	143,284,581	9,564,871
Shares issued from private placements, net of fees	116,807,143	10,356,740
Shares issued for finders’ fees	166,553	6,662
Shares issued for stock options exercised	17,800,000	2,381,152
Shares issued for warrants exercised	12,127,084	1,439,388
Shares issued for settlement of debts	7,720,080	193,002
Shares issued for acquisition of Babbage	60,000,000	2,585,850
Shares issued and outstanding on April 30, 2021	<u>357,905,441</u>	<u>26,527,665</u>
Shares issued for acquisition of Beyond the Moon	46,153,846	3,923,077
Shares issued for acquisition of New World	46,153,846	2,769,231
Shares issued for acquisition of Optimum Coin	71,428,571	6,071,429
Shares issued for acquisition of Niftable	52,000,000	1,820,000
Shares issued for marketing expense	4,000,000	80,000
Shares issued for warrants exercised	60,000	4,571
Shares issued and outstanding on April 30, 2022	<u>577,701,704</u>	<u>41,195,973</u>

On June 3, 2020, the Company completed a non-brokered private placement for aggregate gross proceeds of \$350,000. Under the subscription, the Company issued 11,666,666 units in accordance with the terms and conditions of the subscription agreement representing a subscription price of \$0.03 per unit. Each unit is comprised of one common share of the Company and one-half common share purchase warrant of the Company. Each warrant is exercisable into one common share at a price of \$0.06 for a period of 24 months from the closing date. In connection with the subscription, an aggregate of \$16,992 in finders’ fees, 166,553 common shares in finders’ fees valued at \$6,662 and 399,866 broker warrants were paid to finders. Each broker’s warrant shall be exercisable into one common share at \$0.06 for a period of 24 months from the closing date. Share issuance costs, including cash expenses, amounted to \$48,504 resulting in net proceeds of \$301,496, of which \$301,496 has been allocated to “Share capital” for the shares issued, based on residual value of financing after amount allocated to common shares based its fair value, fair value of common shares as of the date of closing and \$Nil has been allocated to “Reserves” for the warrants issued on the consolidated statement of financial position.

On September 14, 2020, the Company issued 7,720,080 common shares of the Company valued at \$193,002 to settle total debts in the amount of \$386,004, of which \$130,000 was included in accounts payable and accrued liabilities and \$256,004 was included in related party loan payable, resulting in a gain on settlement of debts of \$193,002 for the year ended April 30, 2021. The creditors include a related party, Datametrex AI Limited, who has control of over 10% of the voting securities of the Company and received 5,120,080 common shares of the Company.

Graph Blockchain Inc.

Notes to Consolidated Financial statements

For the year ended April 30, 2022 and 2021

(Expressed in Canadian dollars)

7. Share capital and reserves (continued)

a) Common shares (continued)

On February 17, 2021, the Company issued 60,000,000 units pursuant to the terms of the share exchange agreement related to the acquisition of Babbage valued at an aggregate amount of \$5,863,015 (Note 3). Each warrant is exercisable into one common share at a price of \$0.10 per common share for a period of eighteen months, subject to the Company's exercise of an Acceleration Right. The warrants are subject to an acceleration clause whereby if the common share price on the Canadian Securities Exchange is equal to or greater than \$0.15 per common share for a period of 10 consecutive trading days, the Company may, by notice of the holders of the warrants, reduce the remaining exercise period applicable to the warrants to no less than 30 days from the date of such notice.

On February 19, 2021, the Company completed non-brokered private placement of 28,950,000 units to raise gross proceeds of \$2,316,000. Each unit was priced at a price of \$0.08 and consisted of one common shares and one warrant of the Company. Each warrant shall be exercisable into one common share of the Company at a price of \$0.10 for a period of eighteen months from the date of issuance. In connection with the subscription, an aggregate of \$126,000 in finders' fees and 1,393,000 broker warrants were paid to finders. Each broker's warrant shall be exercisable into one common share at \$0.10 for a period of 18 months from the closing date. Share issuance costs, including cash expenses, amounted to \$518,057 resulting in net proceeds of \$1,797,943, of which \$1,797,943 has been allocated to "Share capital" for the shares issued, based on residual value of financing after amount allocated to common shares based its fair value, fair value of common shares as of the date of closing and \$Nil has been allocated to "Reserves" for the warrants issued on the consolidated statement of financial position.

On March 26, 2021, the Company completed non-brokered private placement of 76,190,477 units to raise gross proceeds of \$10,000,000. Each unit was priced at a price of \$0.13125 and consisted of one common shares and one warrant of the Company. Each warrant shall be exercisable into one common share of the Company at a price of \$0.175 for a period of five years from the date of issuance. In connection with the subscription, an aggregate of \$1,019,591 in finders' fees and 6,095,238 broker warrants were paid to finders. Each broker's warrant shall be exercisable into one common share at \$0.16406 for a period of five years from the closing date. Share issuance costs, including cash expenses, amounted to \$1,742,699 resulting in net proceeds of \$8,257,301, of which \$8,257,301 has been allocated to "Share capital" for the shares issued, based on residual value of financing after amount allocated to common shares based its fair value, fair value of common shares as of the date of closing and \$Nil has been allocated to "Reserves" for the warrants issued on the consolidated statement of financial position.

During the year ended April 30, 2021, 12,127,084 of warrants were exercised for gross proceeds of \$355,625.

During the year ended April 30, 2021, 17,800,000 of stock options were exercised for gross proceeds of \$563,500.

On June 9, 2021, the Company issued 46,153,846 units pursuant to the terms of the share exchange agreement related to the acquisition of 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 \$0.18 per common share for a period of 18 months.

On July 5, 2021, the Company issued 46,153,846 units pursuant to the terms of the share exchange agreement related to the acquisition of New World valued at an aggregate amount of \$2,769,231 (Note 3). Each unit is comprised of one common share for a period of 24 months.

Graph Blockchain Inc.

Notes to Consolidated Financial statements

For the year ended April 30, 2022 and 2021

(Expressed in Canadian dollars)

7. Share capital and reserves (continued)

a) Common shares (continued)

On August 24, 2021, the Company issued 71,428,571 units pursuant to the terms of the share exchange agreement related to the acquisition of Optimum Coin valued at an aggregate amount of \$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 \$0.09 per common share for a period of 24 months.

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

On January 27, 2022, the Company issued 52,000,000 common shares pursuant to the terms of the share exchange agreement related to the acquisition of Niftable valued at \$1,820,000 (Note 3).

On March 9, 2022, the Company issued 4,000,000 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.

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, 2020	6,254,867	0.242
Warrants expired	(3,354,867)	0.13
Warrants issued in connection with private placements	118,861,933	0.15
Warrants issued in connection with Babbage acquisition	60,000,000	0.10
Warrants exercised	(12,127,084)	0.40
Warrants outstanding on April 30, 2021	169,634,849	0.13
Warrants issued in connection with Beyond the Moon acquisition	23,076,923	0.18
Warrants issued in connection with New World acquisition	46,153,846	0.18
Warrants issued in connection with Optimum Coin acquisition	71,428,571	0.09
Warrants exercised	(60,000)	0.06
Warrants expired	(1,942,950)	0.06
Warrants outstanding on April 30, 2022	308,291,239	0.14

The Company used the residual method to value non-broker warrants issued in connection with private placement completed on June 3, 2020, 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 June 3, 2020, the value was calculated using the Black-Scholes pricing model with the following assumptions: (i) risk-free annual interest rate – 0.29%; (ii) expected exercise price – \$0.06; (iii) expected life – 2 years; (iv) annualized volatility – 282%; and (v) expected dividend yield – 0%.

Graph Blockchain Inc.

Notes to Consolidated Financial statements

For the year ended April 30, 2022 and 2021

(Expressed in Canadian dollars)

7. Share capital and reserves (continued)

b) Warrants (continued)

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 – \$0.10; (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 – \$0.16406; (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:

	2022	2021
Risk-free interest rate	0.17% to 0.46%	0.07% to 0.10%
Expected exercise price	\$0.09 to \$0.18	\$0.085
Expected life (years)	1.5 to 2.0	0.08 to 0.5
Volatility	145% to 175%	176% to 234%
Dividend yield	Nil	Nil

As of April 30, 2022, the outstanding warrants had a remaining useful life of 1.65 years with a reserve balance of \$11,557,429 (April 30, 2021 – 3.04 years with a reserve balance of \$4,396,693).

As of April 30, 2022, the following warrants were outstanding:

Number of warrants	Exercise price	Expiry date
2,203,184	\$0.06	June 3, 2022
83,143,000	\$0.10	August 16, 2022
23,076,923	\$0.18	December 9, 2022
46,153,846	\$0.18	July 2, 2023
71,428,571	\$0.09	August 24, 2023
76,190,477	\$0.175	March 26, 2026
6,095,238	\$0.164	March 26, 2026
308,291,239		

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:

Graph Blockchain Inc.

Notes to Consolidated Financial statements

For the year ended April 30, 2022 and 2021

(Expressed in Canadian dollars)

7. Share capital and reserves (continued)

c) Stock options (continued)

	Number	Weighted average exercise price \$
Stock options outstanding on April 30, 2020	-	-
Stock options granted	53,500,000	0.14
Stock options exercised	<u>(17,800,000)</u>	<u>0.07</u>
Stock options outstanding on April 30, 2021	35,700,000	0.17
Stock options granted	16,350,000	0.05
Stock options cancelled	<u>(7,250,000)</u>	<u>0.12</u>
Stock options outstanding and exercisable on April 30, 2022	<u>44,800,000</u>	<u>0.13</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 December 10, 2020, the Company granted incentive stock options to purchase a total of 8,500,000 common shares at an exercise price of \$0.05 per share for a period of two years to management and directors of the Company. Accordingly, the Company recorded the estimated grant date fair value of \$116,496 in connection to these options.

The grant date fair value of the options granted above was based on the following assumptions: share price at grant date of \$0.05; exercise price of \$0.05; expected life of 2 years; expected volatility of 284%; risk free interest rate of 0.50%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

On January 14, 2021, the Company granted incentive stock options to purchase a total of 14,500,000 common shares at an exercise price of \$0.095 per share for a period of two years to management, directors and consultants of the Company. Accordingly, the Company recorded the estimated grant date fair value of \$1,395,228 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 \$0.10; exercise price of \$0.095; expected life of 2 years; expected volatility of 292%; risk free interest rate of 0.16%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

On January 30, 2021, the Company granted incentive stock options to purchase a total of 1,500,000 common shares at an exercise price of \$0.075 per share for a period of two years to an advisor of the Company. Accordingly, the Company recorded the estimated grant date fair value of \$108,143 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 \$0.075; exercise price of \$0.075; expected life of 2 years; expected volatility of 292%; risk free interest rate of 0.14%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

On February 21, 2021, the Company granted incentive stock options to purchase a total of 4,000,000 common shares at an exercise price of \$0.285 per share for a period of two years to certain advisors of the Company. Accordingly, the Company recorded the estimated grant date fair value of \$1,098,116 in connection to these options.

Graph Blockchain Inc.

Notes to Consolidated Financial statements

For the year ended April 30, 2022 and 2021

(Expressed in Canadian dollars)

7. Share capital and reserves (continued)

c) Stock options (continued)

The grant date fair value of the options granted above was based on the following assumptions: share price at grant date of \$0.285; exercise price of \$0.285; expected life of 2 years; expected volatility of 295%; risk free interest rate of 0.23%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

On March 6, 2021, the Company granted incentive stock options to purchase a total of 13,000,000 common shares at an exercise price of \$0.21 per share for a period of two years to certain management, directors and advisors of the Company. Accordingly, the Company recorded the estimated grant date fair value of \$2,764,581 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 \$0.22; exercise price of \$0.21; expected life of 2 years; expected volatility of 299%; risk free interest rate of 0.29%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

On March 29, 2021, the Company granted incentive stock options to purchase a total of 12,000,000 common shares at an exercise price of \$0.125 per share for a period of two years to certain management, directors and employees of the Company. Accordingly, the Company recorded the estimated grant date fair value of \$1,449,519 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 \$0.125; exercise price of \$0.125; expected life of 2 years; expected volatility of 300%; risk free interest rate of 0.24%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

On September 23, 2021, the Company granted incentive stock options to purchase a total of 16,350,000 common shares at an exercise price of \$0.05 per share for a period of two years to certain management, directors, employees and consultants of the Company. Accordingly, the Company recorded the estimated grant date fair value of \$781,156 in connection to these options.

The grant date fair value of the options granted above was based on the following assumptions: share price at grant date of \$0.02; exercise price of \$0.05; 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 April 30, 2022, the outstanding stock options had a remaining useful life of 1.06 years with a reserve balance of \$6,655,541 (April 30, 2021 – 1.84 years with a reserve balance of \$5,874,431).

As of April 30, 2022, the following stock options were outstanding:

Number of options	Exercise price	Expiry date
2,200,000	\$0.095	January 13, 2023
4,000,000	\$0.285	February 21, 2023
11,000,000	\$0.21	March 6, 2023
11,250,000	\$0.125	March 29, 2023
16,350,000	\$0.05	September 23, 2023
44,800,000		

Graph Blockchain Inc.

Notes to Consolidated Financial statements
For the year ended April 30, 2022 and 2021
(Expressed in Canadian dollars)

8 Net loss per share

For the year ended April 30, 2022

Net loss	\$ (24,044,845)
Weighted average number of shares outstanding	<u>499,775,840</u>
Basic and diluted loss per share	<u>\$ (0.048)</u>

For the year ended April 30, 2021

Net loss	\$ (15,329,673)
Weighted average number of shares outstanding	<u>189,573,887</u>
Basic and diluted loss per share	<u>\$ (0.081)</u>

Basic loss per share is calculated by dividing the total loss by the weighted average number of shares outstanding during the period. Outstanding warrants and stock options as of April 30, 2022 of 308,291,239 (2021 – 169,634,849) and 44,800,000 (2021 – 35,700,000), respectively, have not been factored into the calculation as they are considered anti-dilutive.

The following table presents the maximum number of shares that would be outstanding if all dilutive and potentially dilutive instruments as described in Note 7 were exercised or converted as of April 30, 2022:

	Number
Common shares issued and outstanding	577,701,704
Warrants outstanding	308,291,239
Stock options outstanding	<u>44,800,000</u>
	<u>930,792,943</u>

9 Related party transactions

a) Trade and other receivables

As of April 30, 2022, an amount of \$405,570 (April 30, 2021 - \$405,570) included trade and other receivables is due from a company with certain directors in common with the Company.

b) Accounts payable and accrued liabilities

As of April 30, 2022, an amount of \$150,159 (April 30, 2021 - \$4,300) included accounts payable and accrued liabilities is due to certain officers and a shareholder company of the Company.

c) Loans payable

During the year ended April 30, 2022, the Company issued nil (2021 - 5,120,080) common shares for settlement of the loans payable valued at \$nil (2021 - \$256,004) to a shareholder company (Note 7).

Graph Blockchain Inc.

Notes to Consolidated Financial statements
For the year ended April 30, 2022 and 2021
(Expressed in Canadian dollars)

9. Related party transactions (continued)

d) Sales

During the year ended April 30, 2022, the Company recognized sales of \$Nil (2021 - \$377,924) from a company with certain directors in common with the Company.

During the year ended April 30, 2021, the Company relied on one major customer, a company with certain directors in common with the Company for 87% of its revenues.

e) Cost of sales

During the year ended April 30, 2022, the Company purchased inventory of \$Nil (2021 - \$375,645) from a company with certain directors in common with the Company.

f) Intangible assets

As of April 30, 2022, 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.

g) 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, 2022	Year ended April 30, 2021
	\$	\$
Accounting fees included in other operating expenses	180,000	42,000
Consulting fees included in other operating expenses	1,185,133	202,000
Management fees	-	51,224
Professional fees included in other operating expenses	18,000	-
Salaries and benefits	269,116	-
Share-based compensation	692,768	6,633,434
	<u>2,345,017</u>	<u>6,928,658</u>

10 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, 2022, the Company's financial instruments are comprised of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities, related party loan payables and loan payable. The amounts reflected in the statement of financial position are carrying amounts and approximate their fair values due to their short-term nature.

Graph Blockchain Inc.

Notes to Consolidated Financial statements

For the year ended April 30, 2022 and 2021

(Expressed in Canadian dollars)

10. Financial instruments and risk management (continued)

General objectives, policies and processes

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

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

Credit risk and economic dependence

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consists primarily of cash, trade and other receivables, and loan receivables carried at amortized cost.

Credit risk associated with cash is minimized by ensuring these financial assets are maintained with financial institutions of reputable credit and may be redeemed upon demand.

The Company applies the simplified approach to providing for ECL prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade and other receivables, while ECL calculation based on stage assessment has been performed for loan receivables. As of April 30, 2022, one customer, a company with certain directors in common with the Company, comprised 95% of trade receivables (2021 – one customer, 97%) and the impairment allowance relating to trade and other receivables is \$Nil (2021 - \$Nil).

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they become due. The Company's approach is to ensure it will have sufficient liquidity to meet operations, tax, capital and regulatory requirements and obligations, under both normal and stressed circumstances. Cash flow projections are prepared and reviewed by management to ensure a sufficient continuity of funding exists. The Company's financial liabilities are comprised of its accounts payable and accrued liabilities, debt, and contingent consideration. The payments for the Company's accounts payable and accrued liabilities are due in less than a year.

Graph Blockchain Inc.

Notes to Consolidated Financial statements

For the year ended April 30, 2022 and 2021

(Expressed in Canadian dollars)

10. Financial instruments and risk management (continued)

Liquidity risk (continued)

The following table sets out the Company's contractual maturities (representing undiscounted contractual cash flows) of financial liabilities and commitments under operating leases of office premise:

	12 months \$	1 to 2 years \$	2 to 5 years \$	Total \$
Accounts payable and accrued liabilities	742,404	-	-	742,404
Loan payable	-	-	40,000	40,000
Balance on April 30, 2021	<u>742,404</u>	<u>-</u>	<u>40,000</u>	<u>782,404</u>
	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>

Foreign currency risk

The Company is exposed to foreign currency risk from currency exposures to Canadian dollars. The main currency to which the Company has an exposure is the Korean Won. The Company is exposed to currency risk to the extent of the operations of its South Korean branch. The Company does not hedge its exposure to fluctuations in the related foreign exchange rates.

Based on the Company's net Korean Won currency exposure on April 30, 2022, and assuming all other variables remain constant, a 10% weakening or strengthening of the Canadian dollar against the Korean Won would result in an increase/decrease of approximately \$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, 2022, cash has been measured at fair value using level 1 inputs and there has been no change during the year.

11 Capital management

The Company defines its capital as its shareholders' equity in the amount of \$9,534,804 and loan payable of \$500. The Company's objectives when managing capital are to maintain a sufficient capital base in order to meet its short-term obligations and at the same time preserve investors' confidence required to sustain future development of the business. The Company is not exposed to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year ended April 30, 2022.

Graph Blockchain Inc.

Notes to Consolidated Financial statements

For the year ended April 30, 2022 and 2021

(Expressed in Canadian dollars)

12 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 \$0.05 per share for a period of 12 months. 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.

13 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, 2022, 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 are unsecured, non-interest bearing and repayable on demand. During the year ended April 30, 2022, the Company repaid \$120,000. As of April 30, 2022, the loan payable balance was \$500.

14 Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 27% (2021 - 26.5%) to the effective tax rate is as follows:

	Year ended April 30, 2022	Year ended April 30, 2021
	\$	\$
Net loss before recovery of income taxes	(24,044,845)	(15,329,673)
Expected income tax recovery	(6,474,983)	(4,062,363)
Change in prior year tax estimates	-	18,057
Share-based compensation and non-deductible expenses	5,044,417	2,213,302
Share issuance cost booked through equity and other	(93,576)	(314,024)
Change in unrecognized deductible temporary difference	50,811	-
Change in unrecognized deferred income tax assets	1,473,331	2,145,028
Income tax expense (recovery)	<u>-</u>	<u>-</u>

Graph Blockchain Inc.

Notes to Consolidated Financial statements
For the year ended April 30, 2022 and 2021
(Expressed in Canadian dollars)

14. Income taxes (continued)

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:

	April 30, 2022	April 30, 2021
	\$	\$
Property and equipment	(5,099)	18,454
Share issuance costs – 20(1)(e)	210,179	1,127,994
Non-capital losses carried forward – Canada	3,319,678	6,856,410
Investment	-	5,863,115
Income tax expense	<u>3,524,758</u>	<u>13,865,973</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
	<u>5,471,214</u>
	<u>12,327,624</u>