

Graph Blockchain Inc

Management's Discussion and Analysis

January 31, 2021

(Expressed in Canadian dollars)

Graph Blockchain Inc.

Management's Discussion and Analysis for the Nine Months Ended January 31, 2021 (Canadian dollars, except share and unit information)

The following discussion and analysis, prepared as of March 30, 2021, provides information that management believes is relevant to an assessment and understanding of the results of operations and financial conditions of Graph Blockchain Inc. (the "Company"). The Management's Discussion and Analysis ("MD&A") should be read in conjunction with the interim condensed consolidated financial statements of the Company for the three and nine months ended January 31, 2021 and the audited consolidated financial statements of the Company for the year ended April 30, 2020. Unless otherwise noted, all financial information in the MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

Forward Looking Statements

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

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

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

Selected Financial Information

EBITDA and Adjusted EBITDA

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

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

	Three months ended January 31, 2021	Three months ended January 31, 2020	Nine months ended January 31, 2021	Nine months ended January 31, 2020
	\$	\$	\$	\$
Net income (loss)	(1,793,068)	204,347	(1,866,118)	(440,957)
Depreciation and amortization	131	(26,441)	393	13,967
Interest expense	25	-	2,380	85
EBITDA	(1,792,912)	177,906	(1,863,345)	(426,905)
Share-based consulting fees	-	2,373	-	19,585
Share-based compensation	1,619,867	-	1,619,867	-
Adjusted EBITDA	(173,045)	180,279	(243,478)	(407,320)
Weighted average number of common shares	164,108,684	138,081,643	157,552,128	137,779,274
Adjusted EBITDA per share	(0.001)	0.001	(0.002)	(0.003)

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

Business Overview

The Company is a blockchain development company that provides high performance blockchain solutions that include graphic data analysis and consulting services, implementation of data mining analysis through the use of graph databases and speed enhancements of blockchain control systems for businesses and government. This includes the Babbage Mining Corp. which will focus on altcoins, alternative cryptocurrencies to Bitcoin. Graph will be the first publicly tradable altcoin Proof of Stake (“POS”) miner, which will generate revenue while providing exposure to several top digital assets by market capitalization. By mining altcoins through Proof of Stake, Babbage can provide to its investor’s exposure to the vast emerging market of cryptocurrencies with the significant technological disruption and potential gains that altcoins represent.

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

Summary of Operations

Revenue

For the three and nine months ended January 31, 2021, revenue from operations was \$20,356 (2020 - \$Nil) and \$417,407 (2020 - \$Nil), respectively, and Graph Korea discontinued its operations at the end of April 2020.

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Expenses

For the nine months ended January 31, 2021, the Company incurred \$2,125,678 (2020 - \$440,828) of operating expenses. Certain significant items are noted:

- Salaries, benefits and management fees of \$51,224 (2020 – \$200,530) decreased mainly as a result the completion of an 8 month management consulting agreement commencing on November 1, 2018 during the comparative period, refer to “Related Party Transactions” section for more information.
- Office and general of \$27,983 (2020 - \$121,895) decreased mainly due to the discontinued operations of Graph Korea and reduction in sales and marketing expenses as the Company focuses on pursuing other business opportunities.
- Other operating expenses in the amount of \$418,406 (2020 - \$79,356) mainly consisted of consulting fees and professional fees, refer to “Related Party Transactions” section for more information.
- Share-based compensation of \$1,619,867 (2020 - \$Nil) related to granting of 24,500,000 stock options at an exercise price between \$0.05 to \$0.95 per share for a period of two years to certain management, directors, consultants and advisors of the Company.

During the nine months ended January 31, 2021, the Company recorded a gain on settlement of debts of \$193,002 resulting from the issuance of 7,720,080 common shares valued at \$193,002 to settle total debts in the amount of \$386,004.

For the three months ended January 31, 2021, the Company incurred \$1,771,317 (2020 - \$202,598) of operating expenses. Significant items are as discussed above.

Summary of Quarterly Results

The following is a summary of the Company's quarterly results, beginning with the three months ended April 30, 2019 (“Q4 - 19”).

	Q3 – 21	Q2 – 21	Q1 – 21	Q4 – 20	Q3 – 20	Q2 – 20	Q1 – 20	Q4 – 19
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenue	20,356	397,051	-	-	-	-	-	1,089,269
Management fees	-	-	-	-	-	-	-	24,697
Net income (loss)	(1,793,068)	84,483	(157,533)	(317,574)	204,347	(11,429)	(633,875)	(1,249,627)
Net income (loss) per share	(0.011)	0.001	(0.001)	(0.002)	0.001	(0.0001)	(0.005)	(0.009)
EBITDA	(1,792,912)	84,618	(155,051)	(285,561)	176,157	(10,543)	(613,605)	(1,248,982)
Adjusted EBITDA	(173,045)	84,618	(155,051)	(274,634)	178,530	(4,258)	(613,605)	(1,232,896)
Adjusted EBITDA per share	(0.001)	0.001	(0.001)	(0.002)	0.001	(0.000)	(0.004)	(0.009)

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Segment information

The Company has two geographic segments as defined in note 4 to the interim condensed consolidated financial statements.

Segment information of the Company is summarized as follows:

	Graph Canada \$	Graph Korea \$	Consolidated totals \$
For the nine months ended January 31, 2021			
Revenue from external customers	417,407	-	417,407
Segment loss	(1,855,836)	(10,282)	(1,866,118)
As at January 31, 2021			
Segment assets	771,304	2,547	773,851
Segment liabilities	691,046	18,792	709,838
	Graph Canada \$	Graph Korea \$	Consolidated totals \$
For the nine months ended January 31, 2020			
Revenue from external customers	-	-	-
Segment loss	(240,406)	(200,551)	(440,957)
As at April 30, 2020			
Segment assets	127,338	10,496	137,834
Segment liabilities	447,562	210,189	657,751

The Company's revenue generating activities relate to the sale of COVID-19 related equipment and supplies. During the nine months ended January 31, 2021, the Company relied on one major customer, a company with certain directors in common with the Company, for 95% (2020 – 0%) of its revenues and the total amount due from this customer was \$409,762 as at January 31, 2021.

Liquidity, Capital Resources, and Cash Flow

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

The interim condensed consolidated financial statements were prepared on a going concern basis under the historical cost basis of accounting. As at January 31, 2021, the Company has an accumulated deficit of \$12,366,962 (April 30, 2020 - \$10,500,844). For the nine months ended January 31, 2021, the Company recognized a net loss of \$1,866,118 (2020 - \$440,957) and had net cash outflows from operating activities of \$483,626 (2020 - \$273,249). At January 31, 2021, the Company has insufficient cash to fund its planned operations for the next twelve months. These conditions indicate the existence of a material uncertainty that raise substantial doubt about the Company's ability to continue as a going concern.

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The Company's ability to continue as a going concern is dependent upon the ability of the Company to generate sufficient revenues and positive cash flows from its operating activities and/or obtain sufficient additional financing to settle its obligations and fund its planned operations. Accordingly, the Company may need further financing in the form of debt, equity or a combination thereof for the next twelve months. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Company may be required to delay or reduce the scope of any or all of its projects.

The interim condensed consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Should the Company be unable to generate sufficient cash flow from operations or financing activities, the carrying value of the Company's asset could be subject to material adjustments and other adjustments may be necessary to these interim condensed consolidated financial statements.

Related Party Transactions

a) Trade and other receivables

As at January 31, 2021, an amount of \$409,762 (April 30, 2020 - \$Nil) 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 at January 31, 2021, an amount of \$217,857 (April 30, 2020 - \$21,377) included accounts payable and accrued liabilities is due to certain officers and a shareholder company of the Company.

c) Loans payables

As at January 31, 2021, the Company has loan advancements from a shareholder company for a total amount of \$Nil (April 30, 2020 - \$65,700). During the year ended April 30, 2020, the Company was repaid the prior year's amount and an additional amount was advanced to the Company resulting in a loan payable balance. This loan is unsecured, non-interest bearing and repayable on demand.

As at January 31, 2021, the Company has loan advancements due on demand from the Korea segment of a shareholder company for a total amount of \$Nil (April 30, 2020 - \$191,380) bearing interest at 5.0% per annum and unsecured. Interest accrued of \$2,380 during the nine months ended January 31, 2021 was included in accounts payable and accrued liabilities. Loan advances were made in the amount of \$76,180 during the year ended April 30, 2020.

d) Sales

During the nine months ended January 31, 2021, the Company recognized sales of \$397,051 (2020 - \$Nil) from a company with certain directors in common with the Company.

e) Inventory purchases

During the nine months ended January 31, 2021, the Company purchased inventory of \$344,990 (100% of total purchases) (2020 - \$Nil) from a company with certain directors in common with the Company.

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d) Compensation of key management personnel

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

	Nine months ended January 31, 2021 \$	Nine months ended January 31, 2020 \$
Accounting fees included in other operating expenses	2,000	-
Consulting fees included in other operating expenses	146,000	70,000
Management fees	51,224	-
Share-based compensation	1,367,390	-
	<u>1,566,614</u>	<u>70,000</u>

Subsequent Events

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 at a deemed price of \$0.08 per unit for an aggregate purchase price of \$4,800,000. 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 \$111,440 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.

On February 22, 2021, the Company granted incentive stock options to an advisor and consultant of the Company to purchase up to 4,000,000 common shares of the Company at a price of \$0.285 per share for a period of 2 years from the date of grant.

On March 8, 2021, the Company granted incentive stock options to certain management, directors, advisors and employees of the Company to purchase up to 13,000,000 common shares of the Company at a price of \$0.21 per share for a period of 2 years from the date of grant.

Subsequent to the nine months ended January 31, 2021, 11,281,384 of warrants were exercised for gross proceeds of \$964,883.

Subsequent to the nine months ended January 31, 2021, 11,300,000 of stock options were exercised for gross proceeds of \$961,000.

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Off Balance Sheet Arrangements

In March 2020, the Company entered into a service agreement with a financial advisor. According to the agreement, the Company has obligation to grant the advisor share options to purchase Common shares in the Company which will equal 2.5% of the total fully diluted shares. The Options will be granted once the Option Plan is in place and approved at the Company's upcoming AGM and is subject to approval from the regulatory (such as Canadian Securities Exchange) bodies. The Company entered into a twelve-month agreement included in the service agreement with financial advisor. The payment shall be comprised of \$15,00 monthly payments made in stock that will be paid at a deemed price of \$0.05 per share. As at January 31, 2021, no shares have been issued to the financial advisor.

Outstanding Share Information

The Company is authorized to issue an unlimited number of common shares with no par value. As at the date this discussion and analysis is prepared, the Company had 280,214,964 common shares issued and outstanding, 87,349,134 warrants issued and 25,200,000 stock options issued.

Risk Factors

The Company is exposed to a number of risks and uncertainties that are common to other companies engaged in the same or similar businesses. Material risks that could significantly affect the financial condition, operating results or business of the Company are listed in the Company's MD&A for the year ended April 30, 2020 dated August 28, 2020 available on SEDAR.

COVID-19

Beginning in March 2020, the Governments of Canada and the United States, as well as other foreign governments instituted emergency measures as a result of the COVID-19 virus outbreak. The virus has had a major impact on North America and international securities, currency markets and consumer activity which may impact the Company's financial position, its results of future operations and its future cash flows significantly. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of future operations, financial position, and liquidity in fiscal year 2021.

Other Information

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