

Graph Blockchain Inc.

Interim Condensed Consolidated Financial Statements For the Three and Six Months Ended October 31, 2022 and 2021 (Expressed in Canadian dollars) (Unaudited)

Interim Condensed Consolidated Financial Statements

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NOTICE TO READER

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

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

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

Graph Blockchain Inc.

Interim Condensed Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

	October 31, 2022 \$	April 30, 2022 \$
Assets		
Current assets		
Cash and cash equivalents	1,310,595	3,653,410
Trade and other receivables (Notes 9 and 10)	412,693	427,822
Goods and Services Tax receivable	574,997	448,658
Prepaid expenses	64,000	-
Total current assets	<u>2,362,285</u>	<u>4,529,890</u>
Non-current assets		
Property and equipment (Note 4)	217	479
Digital assets (Note 5)	671,641	1,154,672
Intangible assets (Note 6)	1,661,810	1,786,381
Goodwill (Note 3 and 6)	3,858,425	3,858,425
Total non-current assets	<u>6,192,093</u>	<u>6,799,957</u>
Total assets	<u>8,554,378</u>	<u>11,329,847</u>
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	375,625	894,543
Non-current liabilities		
Loan payable (Note 13)	500	500
Other long-term liability (Note 3)	900,000	900,000
Total non-current liabilities	<u>900,500</u>	<u>900,500</u>
Total liabilities	<u>1,276,125</u>	<u>1,795,043</u>
Shareholders' equity		
Share capital (Note 7)	41,195,973	41,195,973
Reserves (Note 7)	18,213,014	18,213,014
Accumulated other comprehensive income	2,001	1,179
Accumulated deficit	(52,132,735)	(49,875,362)
Total shareholders' equity	<u>7,278,253</u>	<u>9,534,804</u>
Total liabilities and shareholders' equity	<u>8,554,378</u>	<u>11,329,847</u>
Contingency (Note 12)		
Subsequent event (Note 14)		

Signed "Paul Haber" Director

Signed "Alex MacKay" Director

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

Graph Blockchain Inc.

Interim Condensed Consolidated Statements of Net Loss and Comprehensive Loss

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

(Unaudited)

	Three Months ended October 31, 2022	Three Months ended October 31, 2021	Six Months ended October 31, 2022	Six Months ended October 31, 2021
	\$	\$	\$	\$
Sales	1,121	-	1,121	-
Cost of sales	(3,884)	-	(3,884)	-
Gross profit	(2,763)	-	(2,763)	-
Expenses				
Depreciation and amortization (Note 4 and 6)	62,416	6,910	124,833	7,041
Gain on sale of digital assets	617	-	617	-
Office and general	123,599	76,186	244,017	99,397
Other operating expenses	435,692	1,323,025	795,683	2,416,942
Salaries, benefits and management fees (Note 9)	306,843	65,594	662,731	75,986
Share based compensation	-	781,156	-	781,156
	929,167	2,252,871	1,827,881	3,380,522
Loss before other income (expenses)	(931,930)	(2,252,871)	(1,830,644)	(3,380,522)
Other income (expenses)				
Consideration paid in excess of net assets acquired from acquisition (Note 3)	-	-	-	(4,683,910)
Foreign exchange gain (loss)	34,749	(4,175)	36,140	(4,175)
Forgivable portion of Canada Emergency Business Account loan (Note 13)	-	-	-	10,000
Gain on sale of digital assets	-	703,765	-	703,765
Impairment of digital assets (Note 5)	(66,752)	-	(502,483)	-
Interest income	6,694	-	39,614	-
Other income	-	-	-	25,052
Net loss	(957,239)	(1,553,281)	(2,257,373)	(7,329,790)
Other comprehensive income				
Foreign exchange translation adjustment	369	30,382	822	634
Comprehensive loss	(956,870)	(1,522,899)	(2,256,551)	(7,329,156)
Basic and diluted net loss per share (Note 8)	(0.002)	(0.003)	(0.004)	(0.016)
Weighted average number of common shares (Note 8)	577,701,704	503,047,946	577,701,704	450,794,419

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

Graph Blockchain Inc.

Interim Condensed Consolidated Statement of Change in Shareholder's Equity

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

(Unaudited)

	<u>Common Shares</u>			Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Number	Amount	Reserves			
		\$	\$	\$	\$	\$
Balance – April 30, 2021	357,905,441	26,527,665	10,271,124	(25,830,517)	1,165	10,969,437
Shares issued for warrants exercised	60,000	4,571	(971)	-	-	3,600
Shares issued for Beyond the Moon Inc. acquisition	46,153,846	2,973,753	1,710,157	-	-	4,683,910
Shares issued for New World Inc. acquisition	46,153,846	2,130,070	2,606,215	-	-	4,736,285
Shares issued for Optimum Coin Analyser Inc. acquisition	71,428,571	4,261,897	5,830,037	-	-	10,091,934
Share-based compensation	-	-	781,156	-	-	781,156
Foreign exchange translation	-	-	-	-	634	634
Net loss for the period	-	-	-	(7,329,790)	-	(7,329,790)
Balance – October 31, 2021	521,701,704	35,897,956	21,197,718	(33,160,307)	1,799	23,937,166
Balance -April 30, 2022	577,701,704	41,195,973	18,213,014	(49,875,362)	1,179	9,534,804
Foreign exchange translation	-	-	-	-	822	822
Net loss for the period	-	-	-	(2,257,373)	-	(2,257,373)
Balance – October 31, 2022	577,701,704	41,195,973	18,213,014	(52,132,735)	2,001	7,278,253

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

Graph Blockchain Inc.

Interim Condensed Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

	Six Months ended October 31, 2022	Six Months ended October 31, 2021
	\$	\$
Cash flows used in operating activities		
Net loss	(2,257,373)	(7,329,790)
Adjustments to reconcile net loss to operating cash flow		
Sales made in digital assets, net of cost of sales	(305)	-
Interest earned in digital assets	(19,146)	-
Depreciation and amortization	124,833	7,041
Forgivable portion of CEBA loan	-	(10,000)
Gain on sale of digital assets	-	(703,765)
Impairment on digital assets	502,483	-
Consideration paid in excess of net assets acquired from acquisition	-	4,683,910
Share-based compensation	-	781,156
Net change in operating assets and liabilities		
Trade and other receivables	15,129	10,102
Goods and Services Tax receivable	(126,339)	(184,267)
Prepaid expenses	(64,000)	77,593
Accounts payable and accrued liabilities	(518,919)	(182,545)
	<u>(2,343,637)</u>	<u>(2,850,565)</u>
Cash flows from (used in) investing activities		
Purchase of digital assets	-	(818,552)
Proceeds from sale of digital assets	-	1,503,765
Acquisition of New World Inc., net of cash received	-	357
Acquisition of Optimum Coin Analyser Inc.net of cash received	-	111,492
	<u>-</u>	<u>797,062</u>
Cash flows from (used in) financing activities		
Proceeds from exercise of warrants	-	3,600
Loan payable	-	(150,000)
	<u>-</u>	<u>(146,400)</u>
Effect of exchange rate changes on cash and cash equivalents	822	634
Decrease in cash and cash equivalents	(2,342,815)	(2,199,269)
Cash and cash equivalents, beginning of period	3,653,410	8,802,843
Cash and cash equivalents, end of period	<u>1,310,595</u>	<u>6,603,574</u>

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

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial statements

For the six months ended October 31, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited)

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 \$2,257,373 and negative cash flows from operations of \$2,343,637 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, 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 six months ended October 31, 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 unaudited interim condensed consolidated financial statements (“consolidated financial statements”) were prepared using the same accounting policies and methods as those used in the Company’s audited consolidated financial statements for the year ended April 30, 2022. These interim condensed consolidated financial statements are in compliance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). Accordingly, certain information and footnote disclosure normally included in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), have been omitted or condensed.

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial statements

For the six months ended October 31, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited)

2 Significant accounting policies (continued)

Basis of presentation and statement of compliance (continued)

These interim condensed consolidated financial statements were approved and authorized for issuance by the Company's Board of Directors on December 12, 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.

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

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

Basis of consolidation

These interim condensed consolidated financial statements include the accounts of the Company's wholly owned subsidiaries, BluStem Ltd., Babbage Mining Corp., Beyond the Moon Inc., New World Inc., Optimum Coin Analyser Inc., and Niftable Inc., and a branch located in South Korea. Any references to Company include references to such entities. Intercompany balances and transactions are eliminated upon consolidation and preparation of these consolidated financial statements, and any unrealized income and expenses arising from intercompany transactions, are eliminated.

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.

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial statements

For the six months ended October 31, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited)

2 Significant accounting policies (continued)

Critical Accounting Estimates and Judgements (continued)

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.

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.

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial statements

For the six months ended October 31, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited)

2 Significant accounting policies (continued)

Critical Accounting Estimates and Judgements (continued)

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.

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.

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial statements

For the six months ended October 31, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited)

2 Significant accounting policies (continued)

Critical Accounting Estimates and Judgements (continued)

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.

3 Asset acquisitions and business combinations

Beyond the Moon Inc.

In June 2021, the Company closed its acquisition of 100% of Beyond the Moon Inc.'s ("Moon") issued and outstanding securities pursuant to the terms of the share exchange agreement entered between the Company, Moon and the shareholders of Moon. The Company issued 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.

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial statements

For the six months ended October 31, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited)

3 Asset acquisitions and business combinations (continued)

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.

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.

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial statements

For the six months ended October 31, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited)

3 Asset acquisitions and business combinations (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
Total consideration paid	10,635,713
Net equity acquired	
Cash and cash equivalents	111,532
Goods and Services Tax receivable	18,718
Intangible asset	125,000
Total identifiable net equity acquired	255,250
Consideration paid in excess of net equity acquired	10,380,463

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 Interim Condensed Consolidated Financial statements

For the six months ended October 31, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited)

3 Asset acquisitions and business combinations (continued)

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

	Amount
	\$
Purchase price	
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.

4 Property and equipment

	Computer equipment \$	Office equipment and furniture \$	Total \$
Cost			
Balance at April 30, 2021 and 2022	22,512	2,616	25,128
Additions	-	-	-
Balance at October 31, 2022	22,512	2,616	25,128
Accumulated depreciation			
Balance at April 30, 2021	22,512	1,613	24,125
Depreciation	-	524	524
Balance at April 30, 2022	22,512	2,137	24,649
Depreciation	-	262	262
Balance at October 31, 2022	22,512	2,399	24,911
Carrying amounts			
Balance at October 31, 2022	-	217	217
Balance at April 30, 2022	-	479	479

Graph Blockchain Inc.

Notes to Interim Condensed Consolidated Financial statements

For the six months ended October 31, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited)

5 Digital assets

As of October 31, 2022 and April 30, 2022, the Company holds digital assets at cost as follows:

	October 31, 2022		April 30, 2022	
	Units	\$	Units	\$
Chainlink	12,500	133,625	12,500	176,250
Polkadot	23,893	216,468	23,893	445,599
Tezos	104,138	203,069	102,917	327,000
Others		118,479		205,823
		<u>671,641</u>		<u>1,154,672</u>

Others include 39 units of Ethereum valued at \$84,842, 100,000 units of Duck valued at \$4,350, 1,598 units of USDC valued at \$2,049, 3,500 units of Pals valued at \$2,765 and 15,014 units of Poolz valued at \$24,473. The fair value of the crypto coins is determined using unit price from Coinbase.com on October 31, 2022.

During the six months ended October 31, 2022, the Company recognized an impairment loss of \$502,483 (2021 - Nil) on its investment in digital assets to reflect the market price on October 31, 2022 as a result of the drop in market price below cost for a significant period of time.

6 Intangible assets

	Artist Relationship \$	Technology \$	Total \$	Goodwill \$
Cost				
Balance at April 30, 2021	-	-	-	-
Acquisitions through business combinations	1,281,000	588,000	1,869,000	3,858,425
Addition	-	125,000	125,000	-
Balance at April 30, 2022	1,281,000	713,000	1,994,000	3,858,425
Additions	-	-	-	-
Balance at October 31, 2022	1,281,000	713,000	1,994,000	3,858,425
Accumulated amortization				
Balance at April 30, 2021	-	-	-	-
Amortization	152,500	55,119	207,619	-
Balance at April 30, 2022	152,500	55,119	207,619	-
Amortization	91,500	33,071	124,571	-
Balance at October 31, 2022	244,000	88,190	332,190	-
Carrying amounts				
Balance at October 31, 2022	1,037,000	624,810	1,661,810	3,858,425
Balance at April 30, 2022	1,128,500	657,881	1,786,381	3,858,425

Graph Blockchain Inc.

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(Unaudited)

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, 2021	357,905,441	26,527,665
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
	<u>577,701,704</u>	<u>41,195,973</u>
Shares issued and outstanding on April 30, 2022	<u>577,701,704</u>	<u>41,195,973</u>
Shares issued and outstanding on October 31, 2022	<u>577,701,704</u>	<u>41,195,973</u>

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 and one share purchase warrant. Each warrant is exercisable into one common share at a price of \$0.18 per common share for a period of 24 months.

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.

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7 Share capital and reserves (continued)

b) Warrants

Issuances of warrants are recorded in reserves on the consolidated statements of financial position. The following summarizes transactions involving warrants issued by the Company:

	Number	Weighted average exercise price \$
Warrants outstanding on April 30, 2021	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
Warrants expired	(85,346,184)	0.10
Warrants outstanding on October 31, 2022	222,945,055	0.15

The Company used the residual method to value non-broker warrants issued in connection with private placement completed on February 19, 2021 and March 26, 2021, with the amount of consideration received in excess, if any, of the fair value of the shares issued being recognized in contributed surplus. Difference between the combined unit price at the time of each placement and the market price of the shares at that time is allocated to reserves.

For brokers' warrants issued in connection with the private placement completed on February 19, 2021, the value was calculated using the Black-Scholes pricing model with the following assumptions: (i) risk-free annual interest rate – 0.18%; (ii) expected exercise price – \$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:

	2023	2022
Risk-free interest rate	-	0.17% to 0.46%
Expected exercise price	-	\$0.09 to \$0.18
Expected life (years)	-	1.5 to 2.0
Volatility	-	145% to 175%
Dividend yield	-	-

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(Expressed in Canadian dollars)

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7 Share capital and reserves (continued)

b) Warrants (continued)

As of October 31, 2022, the outstanding warrants had a remaining useful life of 1.67 years with a reserve balance of \$11,557,429 (April 30, 2022 – 1.65 years with a reserve balance of \$11,557,429).

As of October 31, 2022, the following warrants were outstanding:

Number of warrants	Exercise price	Expiry date
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
222,945,055		

c) Stock options

Under the Company's stock option plan, the Board of Directors has discretion to grant options for up to a maximum of 10% of the issued and outstanding common shares of the Company at the date the options are granted. The option price of each option shall be not less than the discounted market price on the grant date. The expiry date of an option shall be set by the Board of Directors at the time the option is awarded and shall not be more than five years after the grant date.

Granting of stock options are recorded in reserves on the consolidated statements of financial position. The following summarizes transactions involving stock options granted by the Company:

	Number	Weighted average exercise price \$
Stock options outstanding on April 30, 2021	35,700,000	0.17
Stock options granted	16,350,000	0.05
Stock options cancelled	(7,250,000)	0.12
Stock options outstanding on April 30, 2022	44,800,000	0.13
Stock options outstanding and exercisable on October 31, 2022	44,800,000	0.13

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.

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For the six months ended October 31, 2022 and 2021

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7 Share capital and reserves (continued)

c) Stock options (continued)

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 October 31, 2022, the outstanding stock options had a remaining useful life of 0.55 years with a reserve balance of \$6,655,541 (April 30, 2022 – 1.06 years with a reserve balance of \$6,655,541).

As of October 31, 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	\$0.210	March 6, 2023
11,250,000	\$0.125	March 29, 2023
16,350,000	\$0.050	September 23, 2023
44,800,000		

8 Net loss per share

For the six months ended October 31, 2022

Net loss	\$ (2,257,373)
Weighted average number of shares outstanding	577,701,704
Basic and diluted loss per share	<u>\$ (0.004)</u>

For the six months ended October 31, 2021

Net loss	\$ (7,329,790)
Weighted average number of shares outstanding	450,794,419
Basic and diluted loss per share	<u>\$ (0.016)</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 at October 31, 2022 of 222,945,055 (2021 – 310,234,189) and 44,800,000 (2021 – 44,800,000), respectively, have not been factored into the calculation as they are considered anti-dilutive.

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Notes to Interim Condensed Consolidated Financial statements

For the six months ended October 31, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited)

8 Net loss per share (continued)

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 October 31, 2022:

	Number
Common shares issued and outstanding	577,701,704
Warrants outstanding	222,945,055
Stock options outstanding	44,800,000
	<u>845,446,759</u>

9 Related party transactions

a) Trade and other receivables

As of October 31, 2022, an amount of \$390,570 (April 30, 2022 - \$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 October 31, 2022, an amount of \$11,152 (April 30, 2022 - \$150,159) included accounts payable and accrued liabilities is due to certain officers and a shareholder company of the Company.

c) 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.

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:

	Six Months ended October 31, 2022	Six Months ended October 31, 2021
	\$	\$
Accounting fees included in other operating expenses	-	84,000
Consulting fees included in other operating expenses	227,000	121,000
Share-based compensation	-	692,768
Salaries and benefits	237,825	-
	<u>464,825</u>	<u>897,768</u>

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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 October 31, 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.

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 October 31, 2022, one customer, a company with certain directors in common with the Company, comprised 95% of trade receivables (April 30, 2022 – one customer, 95%) and the impairment allowance relating to trade and other receivables is \$Nil (April 30, 2022 - \$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.

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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:

	12 months \$	1 to 2 years \$	2 to 5 years \$	Total \$
Accounts payable and accrued liabilities	894,543	-	-	894,543
Loan payable	-	-	500	500
Balance on April 30, 2022	<u>894,543</u>	<u>-</u>	<u>500</u>	<u>895,043</u>
Accounts payable and accrued liabilities	375,625	-	-	375,625
Loan payable	-	-	500	500
Balance on October 31, 2022	<u>375,625</u>	<u>-</u>	<u>500</u>	<u>376,125</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 October 31, 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 \$65,000 in comprehensive income/loss for the period.

Fair values of financial instruments

IFRS 7 - Financial Instruments: Disclosures requires disclosure of a three-level hierarchy ("FV hierarchy") that reflects the significance of the inputs used in making fair value measurements and disclosures. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include those whose valuations are determined using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are those based on inputs that are unobservable and significant to the overall fair value measurement. As of October 31, 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 \$7,278,253 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 six months ended October 31, 2022.

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(Unaudited)

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. In September 2022, the Company signed a settlement agreement with the advisor and paid \$80,000 as final settlement.

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 October 31, 2022, the loan payable balance was \$500.

14 Subsequent event

On November 16, 2022, the Company completed a consolidation of its issued and outstanding common shares on the basis of ten pre-consolidation common shares for one post-consolidation common share. Following the consolidation, the Company has 57,770,118 common shares outstanding.