

Graph Blockchain Inc.

Consolidated Financial Statements **For the Years Ended April 30, 2021 and 2020** (Expressed in Canadian dollars)

Consolidated Financial Statements

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August 30, 2021
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, 2021, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficit and cash flow 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, 2021, and the consolidated financial performance and consolidated cash flow for the year 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.

Other Matter

The consolidated financial statements for the year ended April 30, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on August 27, 2020.

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.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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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.
- 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.

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.

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

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, 2021 \$	April 30, 2020 \$
Assets		
Current assets		
Cash and cash equivalents	8,802,843	105,252
Trade and other receivables (Notes 10 and 11)	418,015	8,199
Goods and Services Tax receivable	40,101	4,114
Prepaid expenses and other assets	81,283	10,800
Total current assets	9,342,242	128,365
Property and equipment, net (Note 5)	1,003	9,469
Digital assets (Note 6)	2,408,596	-
Total assets	11,751,841	137,834
Liabilities and shareholders' equity (deficiency)		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	742,404	400,671
Related party loan payable (Note 10)	-	257,080
	742,404	657,751
Loan payable (Note 15)	40,000	-
Total liabilities	782,404	657,751
Shareholders' equity (deficiency)		
Share capital (Note 8)	26,527,665	9,564,871
Reserves (Note 8)	10,271,124	418,926
Accumulated other comprehensive income (loss)	1,165	(2,870)
Accumulated Deficit	(25,830,517)	(10,500,844)
Total shareholders' equity (deficiency)	10,969,437	(519,917)
Total liabilities and shareholders' equity (deficiency)	11,751,841	137,834
Commitments (Note 13)		
Contingency (Note 14)		
Subsequent events (Note 17)		

Signed “Paul Haber” Director Signed “Andrew Ryu” 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, 2021	Year ended April 30, 2020
	\$	\$
Sales (Note 10)	433,215	-
Cost of sales (Note 10)	<u>(377,969)</u>	<u>-</u>
Gross profit	<u>55,246</u>	<u>-</u>
Expenses		
Salaries, benefits and management fees (Note 10)	51,224	215,984
Office and general	48,147	240,586
Other operating expenses (Note 10)	1,013,951	251,837
Depreciation (Note 5)	523	17,524
Loss on disposal of assets	7,805	5,515
Share-based consulting fees (Note 8)	-	19,586
Share-based compensation (Notes 8 and 10)	<u>8,352,083</u>	<u>-</u>
	9,473,733	751,032
Loss before other income (expenses)	(9,418,487)	(751,032)
Other income (expenses)		
Interest expenses	(2,369)	(7,455)
Foreign exchange loss	(47,300)	(44)
Gain on settlement of debts (Note 8)	193,002	-
Impairment on digital assets (Note 6)	(191,404)	-
Consideration paid in excess of net assets acquired from acquisition (Note 3)	<u>(5,863,115)</u>	<u>-</u>
Net loss	<u>(15,329,673)</u>	<u>(758,531)</u>
Other comprehensive income		
Foreign exchange translation adjustment	<u>4,035</u>	<u>(2,786)</u>
Comprehensive loss	<u>(15,325,638)</u>	<u>(761,317)</u>
Basic and diluted net loss per share (Note 9)	(0.081)	(0.005)
Weighted average number of common shares (Note 9)	189,573,887	138,616,198

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

Graph Blockchain Inc.

Consolidated Statement of Changes in Shareholders' Equity (Deficiency)

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

	<u>Common Shares</u>		Reserves	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	Number	Amount \$				
Balance – April 30, 2019	137,376,349	9,449,979	371,133	(9,742,313)	(84)	78,715
Shares issued under private placement	5,000,000	90,206	-	-	-	90,206
Advance from private placement	-	5,100	-	-	-	5,100
Warrants issued under private placement	-	-	47,793	-	-	47,793
Share based consulting fees	908,232	19,586	-	-	-	19,586
Foreign exchange translation	-	-	-	-	(2,786)	(2,786)
Net loss for the year	-	-	-	(758,531)	-	(758,531)
Balance – April 30, 2020	143,284,581	9,564,871	418,926	(10,500,844)	(2,870)	(519,917)
Shares issued under private placement	116,807,143	12,666,000	-	-	-	12,666,000
Shares issued for finders' fee	166,553	6,662	-	-	-	6,662
Shares issued for debts	7,720,080	193,002	-	-	-	193,002
Shares issued for options exercised	17,800,000	2,381,152	(1,817,652)	-	-	563,500
Shares issued for warrants exercised	12,127,084	1,439,388	(1,083,763)	-	-	355,625
Shares issued for Babbage Mining Corp. acquisition	60,000,000	2,585,850	3,277,265	-	-	5,863,115
Share issue costs	-	(2,309,260)	1,124,265	-	-	(1,184,995)
Share-based compensation	-	-	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

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, 2021	Year ended April 30, 2020
	\$	\$
Cash flows used in operating activities		
Net loss	(15,329,673)	(758,531)
Adjustments to reconcile net loss to operating cash flow		
Depreciation and accretion (Note 5)	523	17,524
Share-based consulting fees (Note 8)	-	19,586
Share-based compensation (Note 8)	8,352,083	-
Shares subscribed in private placements for services to be rendered (Note 3)	-	110,135
Loss on disposal of assets	7,805	5,515
Loss allowance on loan receivables (Note 11)	-	69,716
Accretion on loan receivables	-	(3,299)
Gain on settlement of debts (Note 8)	(193,002)	-
Impairment on digital assets (Note 6)	191,404	-
Consideration paid in excess of net assets acquired from acquisition (Note 3)	5,863,115	-
Net change in operating assets and liabilities (Note 7)	(44,553)	213,391
	<u>(1,152,298)</u>	<u>(325,963)</u>
Cash flows (used in) from investing activities		
Purchase of property and equipment (Note 5)	-	(1,509)
Purchase of digital assets (Note 6)	(2,600,000)	-
Repayments of loan receivables (Note 10)	-	109,907
	<u>(2,600,000)</u>	<u>108,398</u>
Cash flows from financing activities		
Loan payable (Notes 10 and 15)	40,000	141,880
Proceeds from issuance of share capital (Note 8), net	11,487,667	143,100
Proceeds from options exercised (Note 8)	563,500	-
Proceeds from warrants exercised (Note 8)	355,625	-
	<u>12,446,792</u>	<u>284,980</u>
Effect of exchange rate changes on cash and cash equivalents	3,097	15,666
Increase in cash and cash equivalents	8,697,591	83,081
Cash and cash equivalents, beginning of year	105,252	22,171
Cash and cash equivalents, end of year	<u>8,802,843</u>	<u>105,252</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, 2021 and 2020

(Expressed in Canadian dollars)

1 Description of business and organization

Graph Blockchain Inc. (the “Company” or “Graph”) 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 POS, 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. Refer to Note 3 for more information.

The Company continues to monitor COVID-19 developments. During the year ended April 30, 2021, 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, 2021 and 2020 (“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 30, 2021. These consolidated financial statements are presented in Canadian dollars which is also the Company’s functional currency. The Company has three wholly-owned entities, the South Korean branch of Graph Blockchain Inc. (unincorporated) with a Korean Won functional currency, and BluStem Ltd. and Babbage Mining Corp. 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.

Graph Blockchain Inc.

Notes to Consolidated Financial statements

For the year ended April 30, 2021 and 2020

(Expressed in Canadian dollars)

2 Significant accounting policies (continued)

Basis of presentation and statement of compliance (continued)

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 income/loss and accumulated in equity.

Certain comparatives have been reclassified to conform with current year presentation.

Basis of consolidation

These consolidated financial statements include the accounts of the Company's wholly owned subsidiaries, BluStem Ltd. and Babbage Mining Corp., 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

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.

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.

Graph Blockchain Inc.

Notes to Consolidated Financial statements

For the year ended April 30, 2021 and 2020

(Expressed in Canadian dollars)

2 Significant accounting policies (continued)

Financial instruments (continued)

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
Related party loan payable	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.

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.

Graph Blockchain Inc.

Notes to Consolidated Financial statements

For the year ended April 30, 2021 and 2020

(Expressed in Canadian dollars)

2 Significant accounting policies (continued)

Financial instruments (continued)

a) 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.

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

Graph Blockchain Inc.

Notes to Consolidated Financial statements

For the year ended April 30, 2021 and 2020

(Expressed in Canadian dollars)

2 Significant accounting policies (continued)

Property and equipment (continued)

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.

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.

Operating segments

Management has determined that the Company operates in two reportable operating segments based on geographical region. The Company provides blockchain services with a head office located in Canada ("Graph Canada") and a branch located in South Korea ("Graph Korea").

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.

Graph Blockchain Inc.

Notes to Consolidated Financial statements

For the year ended April 30, 2021 and 2020

(Expressed in Canadian dollars)

2 Significant accounting policies (continued)

Income taxes (continued)

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.

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 and valuation of equity instruments issued under share-based payment arrangements.

Graph Blockchain Inc.

Notes to Consolidated Financial statements
For the year ended April 30, 2021 and 2020
(Expressed in Canadian dollars)

2 Significant accounting policies (continued)

Critical Accounting Estimates and Judgements (continued)

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 expected credit losses 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

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.

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 affects both.

Accounting Standards Issue But Not Yet Applied

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRS Interpretations Committee that are mandatory for fiscal periods beginning on or after January 1, 2021.

Graph Blockchain Inc.

Notes to Consolidated Financial statements
For the year ended April 30, 2021 and 2020
(Expressed in Canadian dollars)

2 Significant accounting policies (continued)

Accounting Standards Issue But Not Yet Applied (continued)

(a) Amendments to IAS 1, Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The amendments to IAS 1 are not expected to have a significant impact on the Company's consolidated financial statements.

(b) Amendments to IFRS 7 - Financial Instruments: Disclosure; IFRS 9 – Financial Instruments; IAS 39, Financial Instruments: Recognition and Measurement; and IFRS 16

In August 2020, the IASB published IBOR Reform Phase 2 which address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. For financial instruments at amortized cost, the amendments introduce a practical expedient such that if a change in the contractual cash flows is as a result of IBOR reform and occurs on an economically equivalent basis, the change will be accounted for by updating the effective interest rate with no immediate gain or loss recognized. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. Management is in the process of assessing the impact of these amendments on contracts in scope, including our IBOR-based financial instruments and hedge relationships, if any.

(c) Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The IASB also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the IASB decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

Graph Blockchain Inc.

Notes to Consolidated Financial statements
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2 Significant accounting policies (continued)

Accounting Standards Issue But Not Yet Applied (continued)

(d) Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment - Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

(e) Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The amendments are not expected to have a material impact on the Company.

3 Reverse take-over and asset acquisition

BluStem Ltd.

On November 6, 2018, the Company completed its acquisition of BluStem by way of a three-cornered amalgamation among the Company, BluStem, and 2659468 Ontario Inc., a wholly-owned subsidiary of the Company, whereby 2659468 Ontario Inc and BluStem amalgamated to form a newly amalgamated company (“Amalco”). As a result of the Amalgamation, the holders of common shares of BluStem exchanged such common shares for the Company’s common shares on a one for one basis, and Amalco became a wholly-owned subsidiary of the Company.

The shareholders of BluStem owned 96% of the common shares of the Company and as a result, the transaction is considered a reverse acquisition of the Company by BluStem. For accounting purposes, BluStem is considered the acquirer, and the Company, the acquiree. Accordingly, the consolidated financial statements are a continuation of the financial statements of BluStem which has a financial year end of April 30 and a date of incorporation of November 22, 2017. The results of operations of the Company are included in the consolidated financial statements of the Company from the date of the reverse acquisition, November 6, 2018.

Graph Blockchain Inc.

Notes to Consolidated Financial statements

For the year ended April 30, 2021 and 2020

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3 Reverse take-over and asset acquisition (continued)

The following summarizes the reverse takeover of the Company by BluStem and the assets acquired and liabilities assumed as at November 6, 2018:

	Amount
	\$
Consideration	
Fair value of consideration paid to the Company's former holders of common shares and debtholders (5,954,715 common shares at \$0.21 per common share)	1,250,490
Debt forgiveness for amounts due to BluStem from the Company	66,746
Finder's fee (641,666 common shares at \$0.21 per common share)	134,750
	<u>1,451,986</u>
Identifiable assets acquired and liabilities assumed	
Cash	228
Trade and other receivables	1,847
Accounts payable and accrued liabilities	(106,199)
	<u>(104,124)</u>
Listing expense	<u>1,556,110</u>

A reverse takeover transaction involving a non-public operating entity and a non-operating company is considered to be in substance a share based payment transaction and is not a business combination. Any difference in the value of the shares deemed to have been issued by the accounting acquirer and the fair value of the acquiree's net assets (liabilities) received (assumed), have been included in the listing expense on the consolidated statements of comprehensive loss.

The Company recorded in "Other reverse take-over fees" in the consolidated statement of loss and comprehensive loss, \$1,185,692 of professional, regulatory and other fees with respect to the reverse takeover, including \$884,956 management consulting fees charged by a shareholder company of the Company.

In connection with the above transaction, BluStem completed a non-brokered private placement on November 6, 2018 of 3,354,867 units to raise gross proceeds of \$1,006,460 that closed concurrently with the above transaction. Each unit was at a price of \$0.30 and consisted of one common share and one warrant of BluStem. Each warrant shall be exercisable into one common share of BluStem at a price of \$0.40 for a period of 18 months from the date of issuance. Certain dealers and arms-length finders were paid 8% of the gross proceeds. Share issuance costs of \$22,232 comprised of \$13,000 in respect of cash finders' fees, together with other cash expenses of \$9,232, resulting in net proceeds of \$984,228, of which \$688,960 has been allocated to "share capital" for the shares issued and \$295,268 has been allocated to "Reserve" for the warrants issued on the consolidated statements of financial position.

The non-brokered private placement on November 6, 2018 includes cash subscriptions of \$324,020 for 1,080,067 common shares which were issued to certain marketing service providers of the Company. Subsequent to the subscriptions the Company paid \$318,500 to the same service providers for various marketing service agreements entered into, in substance, these transactions have been treated as issuance of shares for services. \$208,365 of the total \$318,500 has been included in "Office and general" in the consolidated statement of loss and comprehensive loss during the year ended April 30, 2019, and as at April 30, 2019, the remaining \$110,135 is included in "Prepaid expense and other assets". During the year ended April 30, 2020, \$110,135 has been included in "Office and general" in the consolidated statement of loss and comprehensive loss.

Graph Blockchain Inc.

Notes to Consolidated Financial statements

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(Expressed in Canadian dollars)

3 Reverse take-over and asset acquisition (continued)

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 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. 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.

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>5,863,015</u>
Consideration paid in excess of net assets acquired	<u>5,863,015</u>

4 Operating segments and major customers

The Company has two geographic segments as defined in Note 2 to these consolidated financial statements.

Segment information of the Company is summarized as follows:

	Graph	Graph	Consolidated
	Canada	Korea	totals
	\$	\$	\$
For the year ended April 30, 2021			
Revenue from external customers	433,215	-	433,215
Impairment of digital assets	(191,404)	-	(191,404)
Segment loss	(15,319,436)	(10,237)	(15,329,673)
As at April 30, 2021			
Segment assets	11,749,396	2,445	11,751,841
Segment liabilities	764,365	18,039	782,404

Graph Blockchain Inc.

Notes to Consolidated Financial statements

For the year ended April 30, 2021 and 2020

(Expressed in Canadian dollars)

4 Operating segments and major customers (continued)

	Graph Canada \$	Graph Korea \$	Consolidated totals \$
For the year ended April 30, 2020			
Revenue from external customers	-	-	-
Segment loss	(547,719)	(210,812)	(758,531)
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 year ended April 30, 2021, the Company relied on one major customer, a company with certain directors in common with the Company (Note 10), for 87% (2020 – 0%) of its revenues and the total amount due from this customer was \$405,570 as at April 30, 2021.

5 Property and equipment

	Computer equipment \$	Office equipment and furniture \$	Total \$
Cost			
Balance at April 30, 2019	45,754	2,616	48,370
Additions	1,509	-	1,509
Disposal	(6,876)	-	(6,876)
Cumulative translation adjustment ("CTA")	(167)	-	(167)
Balance at April 30, 2020	40,220	2,616	42,836
Disposal	(17,400)	-	(17,400)
CTA	(308)	-	(308)
Balance at April 30, 2021	22,512	2,616	25,128
Accumulated depreciation			
Balance at April 30, 2019	16,378	567	16,945
Depreciation	17,001	523	17,524
Disposal	(1,102)	-	(1,102)
Balance at April 30, 2020	32,277	1,090	33,367
Depreciation	-	523	523
Disposal	(9,595)	-	(9,595)
CTA	(170)	-	(170)
Balance at April 30, 2021	22,512	1,613	24,125
Carrying amounts			
Balance at April 30, 2020	7,943	1,526	9,469
Balance at April 30, 2021	-	1,003	1,003

Graph Blockchain Inc.

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For the year ended April 30, 2021 and 2020
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6 Digital assets

As at April 30, 2021 and 2020, the Company holds digital assets at cost as follows:

	April 30, 2021	April 30, 2020
	\$	\$
Cardano	800,000	-
Chainlink	500,000	-
Pokadot	1,108,596	-
	<u>2,408,596</u>	<u>-</u>

During the year ended April 30, 2021, the Company recognized an impairment loss of \$191,404 on its investment in Pokadot to reflect the market price at April 30, 2021 as a result of the drop in market price below cost for a significant period of time.

7 Net change in operating assets and liabilities

	Year ended April 30, 2021	Year ended April 30, 2020
	\$	\$
Cash flows provided by (used in)		
Trade and other receivables	(409,816)	(8,570)
Goods and Services Tax receivable	(35,987)	139,807
Prepaid expenses and other assets	(70,483)	184,032
Accounts payable and accrued liabilities	471,733	(101,878)
	<u>(44,553)</u>	<u>213,391</u>

8 Share capital and reserves

a) Common shares

The Company is authorized to issue an unlimited number of common shares with no par value.

Issuances of common shares are recorded in "Share capital" on the consolidated statements of financial position.

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

	Number	Amount \$
Shares issued and outstanding at April 30, 2019	137,376,349	9,449,979
Shares issued in exchange for consulting fees	908,232	19,586
Shares issued from private placements, net of fees	5,000,000	90,206
Advance from private placement	-	5,100
Shares issued and outstanding at April 30, 2020	<u>143,284,581</u>	<u>9,564,871</u>
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 at April 30, 2021	<u>357,905,441</u>	<u>26,527,665</u>

Graph Blockchain Inc.

Notes to Consolidated Financial statements

For the year ended April 30, 2021 and 2020

(Expressed in Canadian dollars)

8 Share capital and reserves (continued)

a) Common shares (continued)

On April 1, 2018, the Company issued 2,421,952 common shares in escrow to an officer of the Company, vesting over eight quarterly instalments with April 1, 2018 as the first vesting date. During the year ended April 30, 2020, 908,232 common shares have vested, resulting in \$19,586 “Share based consulting fees” recorded in the consolidated statement of loss and comprehensive loss for the year ended April 30, 2020.

On March 9, 2020, the Company completed non-brokered private placement of 5,000,000 units to raise gross proceeds of \$150,000. Each unit was priced at a price of \$0.03 and consisted of one common shares and one-half warrant of the Company. Each warrant shall be exercisable into one common share of the Company at a price of \$0.06 for a period of two years from the date of issuance and includes a warrant acceleration clause at a share price of \$0.10 or greater under certain market conditions. Arms-length finder was paid 8% of the gross proceeds and received 400,000 non-transferable warrants on the same terms and conditions governing those warrants issued under the private placement. Share issuance costs, including cash expenses, amounted to \$12,000 resulting in net proceeds of \$138,000, of which \$90,206 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 \$47,793 has been allocated to “Reserves” for the warrants issued on the consolidated statement of financial position. Total costs incurred were allocated between shares and reserves based on the proportionate fair value allocation.

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, 2021 and 2020

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8 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.

Graph Blockchain Inc.

Notes to Consolidated Financial statements

For the year ended April 30, 2021 and 2020

(Expressed in Canadian dollars)

8 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 at April 30, 2019	5,020,685	0.295
Warrants expired	(1,665,818)	0.083
Warrants issued in connection with private placements	2,900,000	0.06
Warrants outstanding at 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 at April 30, 2021	169,634,849	0.13

The Company used the residual method to value non-broker warrants issued in connection with private placement completed on March 9, 2020, 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 March 9, 2020, the value was calculated using the Black-Scholes pricing model with the following assumptions: (i) risk-free annual interest rate – 0.53%; (ii) expected exercise price – \$0.06; (iii) expected life – 2 years; (iv) annualized volatility – 279%; and (v) expected dividend yield – 0%.

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%.

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%.

As at April 30, 2021, the outstanding warrants had a remaining useful life of 3.04 years with a reserve balance of \$4,396,693 (2020 – 0.87 years with a reserve balance of \$418,296).

Graph Blockchain Inc.

Notes to Consolidated Financial statements
For the year ended April 30, 2021 and 2020
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8 Share capital and reserves (continued)

b) Warrants (continued)

As at April 30, 2021, the following warrants were outstanding:

Number of warrants	Exercise price	Expiry date
2,002,950	\$0.06	March 9, 2022
2,203,184	\$0.06	June 3, 2022
83,143,000	\$0.10	August 16, 2022
76,190,477	\$0.175	March 26, 2026
6,095,238	\$0.16406	March 26, 2026
169,634,849		

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 at April 30, 2019 and 2020	-	-
Stock options granted	53,500,000	0.14
Stock options exercised	(17,800,000)	0.07
Stock options outstanding and exercisable at April 30, 2021	35,700,000	0.17

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 \$0.02; 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%.

Graph Blockchain Inc.

Notes to Consolidated Financial statements

For the year ended April 30, 2021 and 2020

(Expressed in Canadian dollars)

8 Share capital and reserves (continued)

c) Stock options (continued)

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.

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%.

As at April 30, 2021, the outstanding stock options had a remaining useful life of 1.84 years with a reserve balance of \$5,874,431 (2020 – Nil years with a reserve balance of \$Nil).

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8 Share capital and reserves (continued)

c) Stock options (continued)

As at April 30, 2021, the following stock options were outstanding:

Number of options	Exercise price	Expiry date
1,000,000	\$0.05	December 10, 2022
5,700,000	\$0.095	January 13, 2023
4,000,000	\$0.285	February 21, 2023
13,000,000	\$0.21	March 6, 2023
12,000,000	\$0.125	March 29, 2023
35,700,000		

9 Net loss per share

For the year ended April 30, 2021

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

For the year ended April 30, 2020

Net loss	\$ (758,531)
Weighted average number of shares outstanding	138,616,198
Basic and diluted loss per share	<u>\$ (0.005)</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 April 30, 2021 of 169,634,849 (2020 – 6,254,867) and 35,700,000 (2020 – Nil), 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 8 were exercised or converted as at April 30, 2021:

	Number
Common shares issued and outstanding	357,905,441
Warrants outstanding	169,634,849
Stock options outstanding	<u>35,700,000</u>
	<u>563,240,290</u>

Graph Blockchain Inc.

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10 Related party transactions

a) Trade and other receivables

As at April 30, 2021, an amount of \$405,570 (2020 - \$Nil) included trade and other receivables is due from a company with certain directors in common with the Company (Note 4).

b) Accounts payable and accrued liabilities

As at April 30, 2021, an amount of \$4,300 (2020 - \$21,377) included accounts payable and accrued liabilities is due to certain officers and a shareholder company of the Company.

c) Loans payable

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

As at April 30, 2021, the Company has loan advancements due on demand to the Korea segment of a shareholder company for a total amount of \$Nil (2020 - \$191,380) bearing interest at 5.0% per annum and unsecured. Loan advances were made in the amount of \$76,180 during the year ended April 30, 2020.

During the year ended April 30, 2021, the Company issued 5,120,080 common shares for settlement of the loans payable valued at \$256,004 (Note 8).

d) Sales

During the year ended April 30, 2021, the Company recognized sales of \$377,924 (2020 - \$Nil) from a company with certain directors in common with the Company (Note 4).

e) Cost of sales

During the year ended April 30, 2021, the Company purchased inventory of \$375,645 (100% of total purchases) (2020 - \$Nil) from a company with certain directors in common with the Company.

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Notes to Consolidated Financial statements
For the year ended April 30, 2021 and 2020
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10 Related party transactions (continued)

f) Compensation of key management personnel

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

	Year ended April 30, 2021	Year ended April 30, 2020
	\$	\$
Accounting fees included in other operating expenses	42,000	-
Advertising and promotion fees included in other operating expenses	-	23,819
Consulting fees included in other operating expenses	202,000	85,000
Management fees	51,224	-
Share-based compensation	6,633,434	-
	<u>6,928,658</u>	<u>108,819</u>

11 Financial instruments and risk management

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented below.

As at April 30, 2021, 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.

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Notes to Consolidated Financial statements

For the year ended April 30, 2021 and 2020

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11 Financial instruments and risk management (continued)

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 expected credit losses (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 at April 30, 2021, one customer, a company with certain directors in common with the Company, comprised 100% of trade receivables (2020 – no customers, 0%) and the impairment allowance relating to trade and other receivables is \$Nil (2020 - \$Nil).

The following table sets out the stage continuity for the allowance for credit losses for loan receivables:

	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Balance at May 1, 2019	176,324	-	-	176,324
Additions of new loan receivables	-	-	-	-
Repayments	(109,907)	-	-	(109,907)
Accretion income	1,003	-	2,296	3,299
Transfer between stages	(67,420)	-	67,420	-
Loss allowance on loans receivable	-	-	(69,716)	(69,716)
Balance at April 30, 2020 and 2021	-	-	-	-

The following continuity schedule summarizes the allowance for ECL of loans receivable:

	Due from Related Party \$	Loans Receivable \$	Total \$
Balance at May 1, 2019	108,904	67,420	176,324
Repayments	(109,907)	-	(109,907)
Accretion income	1,003	2,296	3,299
ECL allowance	-	(69,716)	(69,716)
Balance at April 30, 2020 and 2021	-	-	-

During the year ended April 30, 2020, the loss allowance of \$69,716 was recorded in “Other operating expenses”, and is related to the loan receivable of \$133,000 issued by the Company as part of a potential future acquisition of Blockchain Innovations Inc (“BCI”), in which the letter of intent was signed on April 3, 2019. The loan was a secured loan issued on April 4, 2019 with a maturity date of July 4, 2019, bearing an interest rate of 10% per annum. As at the date of these consolidated financial statements, the loan is in default and management has assessed there is deterioration of the credit risk on the loan receivable.

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11 Financial instruments and risk management (continued)

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.

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	400,671	-	-	400,671
Related party loan payable	257,080	-	-	257,080
Balance at April 30, 2020	657,751	-	-	657,751

	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 at April 30, 2021	742,404	-	40,000	782,404

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 at April 30, 2021, 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 \$75,000 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.

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12 Capital management

The Company defines its capital as its shareholders' equity in the amount of \$10,969,437 and loan payable of \$40,000. 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, 2021.

13 Commitments

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 Annual General Meeting ("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 the financial advisor. The payment shall be comprised of \$15,000 monthly payments made in stock that will be paid at a deemed price of \$0.05 per share. As at April 30, 2021, no shares have been issued to the financial advisor (2020 – Nil).

14 Contingency

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

15 Government of Canada loan

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. Any remaining balance after January 1, 2023 will be converted into a 3 year term loan with a fixed interest of 5% per annum, monthly interest-only payments and the outstanding balance must be repaid in full by December 31, 2025.

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16 Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2020 - 26.5%) to the effective tax rate is as follows:

	Year ended April 30, 2021	Year ended April 30, 2020
	\$	\$
Net loss before recovery of income taxes	(15,329,673)	(758,531)
Expected income tax (recovery) expense	(4,062,363)	(201,011)
Change in prior year tax estimates	18,057	-
Share-based compensation and non-deductible expenses	2,213,302	16,225
Share issuance cost booked through equity and other	(314,024)	(3,293)
Change in unrecognized deferred income tax assets	2,145,028	188,079
Income tax expense (recovery)	<u>-</u>	<u>-</u>

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, 2021	April 30, 2020
	\$	\$
Property, plant and equipment	18,454	17,931
Share issuance costs – 20(1)(e)	1,127,994	290,494
Non-capital losses carried forward – Canada	6,856,410	5,394,963
Investment	5,863,115	-
Reserves	-	68,139
Income tax expense (recovery)	<u>13,865,973</u>	<u>5,771,527</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	<u>1,461,447</u>
	<u>6,856,410</u>

17 Subsequent events

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 at a deemed price of \$0.13 per unit for an aggregate purchase price of \$6,000,000. Each whole warrant is exercisable into one common share at a price of \$0.18 per common share for a period of 24 months.

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17 Subsequent events (continued)

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 at a deemed price of \$0.13 per unit for an aggregate purchase price of \$6,000,000. Each whole 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.

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