

GLOBALBLOCK DIGITAL ASSET TRADING LIMITED
(formerly Helix Applications Inc.)

FINANCIAL STATEMENTS

Expressed in Canadian Dollars

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

UNAUDITED

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited condensed interim consolidated financial statements of GlobalBlock Digital Asset Trading Limited (the “Company”) have been prepared by and are the responsibility of the Company’s management.

In accordance with National Instrument 51-102, the Company discloses that its independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements.

GLOBALBLOCK DIGITAL ASSET TRADING LIMITED

(formerly Helix Applications Inc.)

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT

Expressed in Canadian Dollars

	September 30, 2021	December 31, 2020
ASSETS		
Current		
Cash	\$ 5,697,757	\$ 4,382,171
Cash – held for clients	14,064,027	-
Receivables, prepaids and deposits	548,538	33,159
Digital asset inventory (Note 5)	<u>12,263,044</u>	<u>-</u>
	32,573,366	4,415,330
Equipment	66,519	-
Intangible asset (Note 6)	1,076,047	-
Goodwill (Note 4)	<u>38,431,509</u>	<u>-</u>
	<u>\$ 72,147,441</u>	<u>\$ 4,415,330</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 581,771	\$ 71,305
Client deposits liability (Note 8)	<u>25,903,773</u>	<u>-</u>
	26,485,544	71,305
Shareholders' equity		
Share capital (Note 9)	150,858,451	106,247,733
Reserves (Note 9)	10,172,117	9,777,515
Accumulated other comprehensive income (loss)	(4,559)	-
Deficit	<u>(115,364,112)</u>	<u>(111,681,223)</u>
	<u>45,661,897</u>	<u>4,344,025</u>
	<u>\$ 72,147,441</u>	<u>\$ 4,415,330</u>

Nature and continuance of operations (Note 1)**Acquisition of GlobalBlock UK (Note 4)**

The accompanying notes are an integral part of these interim financial statements

GLOBALBLOCK DIGITAL ASSET TRADING LIMITED

(formerly Helix Applications Inc.)

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Expressed in Canadian Dollars

	For the three months ended September 30, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
REVENUE	\$ 838,433	\$ -	\$ 838,433	\$ -
Operating expenses				
Amortization	54,725	-	54,725	-
General & administration	447,727	96,891	689,171	339,489
Foreign exchange	(61,679)	-	(61,679)	-
Sales & marketing	373,942	-	512,282	-
Share-based payments (Note 9)	365,129	4,250	365,129	131,146
Wages & payroll	695,651	-	798,937	-
Trading loss	(1,037,062)	(101,141)	(1,520,132)	(470,635)
Other items				
Fair value adjustments	276,626	-	276,626	-
Finance income (expense)	(39,773)	7,411	(811)	37,716
Transaction costs (Note 4)	(2,288,572)	-	(2,288,572)	-
Write down of intangible asset (Note 6)	(150,000)	-	(150,000)	-
Loss for the period	\$ (3,238,781)	\$ (93,730)	\$ (3,682,889)	\$ (432,919)
Other comprehensive income (loss) to be reclassified to profit and loss in subsequent periods:				
Cumulative translation adjustment	(4,559)	-	(4,559)	-
Loss & comprehensive loss for the period	\$ (3,234,340)	\$ (93,730)	\$ (3,687,448)	\$ (432,919)
Basic and diluted loss per common share	\$ (0.03)	\$ (0.00)	\$ (0.02)	\$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	94,775,115	51,910,407	66,679,991	51,910,407

The accompanying notes are an integral part of these financial statements

GLOBALBLOCK DIGITAL ASSET TRADING LIMITED

(formerly Helix Applications Inc.)

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Expressed in Canadian Dollars

	Shares	Share capital	Reserves	Accumulated other comprehensive income	Deficit	Total shareholders' equity
Balance, December 31, 2019	66,043,332	\$ 116,172,056	\$ 9,643,885	\$ -	\$ (120,980,507)	\$ 4,835,434
Cancellation of escrow shares	(14,594,594)	(9,924,324)	-	-	9,924,324	-
Share-based payments	-	-	131,146	-	-	131,146
Loss for the period	-	-	-	-	(432,919)	(432,919)
Balance, September 30, 2020	51,448,738	106,247,732	9,775,031	-	(111,489,102)	4,533,661
Share-based payments	-	-	2,484	-	-	2,484
Loss for the period	-	-	-	-	(192,120)	(192,120)
Balance, December 31, 2020	51,448,738	106,247,732	9,777,515	-	(111,681,222)	4,344,025
Shares issued pursuant to the exercise of options	500,000	114,244	(55,742)	-	-	58,502
Shares issued pursuant to private placement	2,000,000	3,000,000	-	-	-	3,000,000
Share issuance costs	-	(323,525)	85,215	-	-	(238,310)
Shares issued to acquire GB UK	48,450,000	39,729,000	-	-	-	39,729,000
Shares issued as transaction costs	2,550,000	2,091,000	-	-	-	2,091,000
Share-based payments	-	-	365,129	-	-	365,129
Loss and comprehensive loss for the period	-	-	-	(4,559)	(3,682,890)	(3,687,449)
Balance, September 30, 2021	104,948,738	\$ 150,858,451	\$ 10,172,117	\$ (4,559)	\$ (115,364,112)	\$ 45,661,897

The accompanying notes are an integral part of these financial statements

GLOBALBLOCK DIGITAL ASSET TRADING LIMITED
(formerly Helix Applications Inc.)
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
Expressed in Canadian Dollars

	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
CASH FLOW USED IN OPERATING ACTIVITIES		
Loss for the period	\$ (3,682,889)	\$ (432,919)
Adjusted for:		
Amortization	54,725	-
Share-based payments	365,129	131,146
Transaction costs paid in shares	2,091,000	-
Write-down of intangible asset	150,000	-
Changes in non-cash working capital items:		
Cash – held for client	(7,163,395)	-
Receivables, prepaids & deposits	194,689	50,345
Digital assets	(451,521)	-
Accounts payable & accrued liabilities	216,837	(13,066)
Client deposits liability	7,191,618	-
Net cash used in operating activities	<u>(1,033,798)</u>	<u>(264,494)</u>
CASH FLOW PROVIDED BY FINANCING ACTIVITIES		
Proceeds from private placement, net of costs	2,761,690	-
Proceeds from exercise of options	58,501	-
Net cash provided by financing activities	<u>2,820,191</u>	<u>-</u>
CASH FLOW USED IN INVESTING ACTIVITIES		
Acquisition of intangible asset	(248,382)	-
Cash acquired on acquisition of GB UK	1,148,667	-
Purchase of equipment	(61,390)	-
Loan to GlobalBlock UK	(1,295,003)	-
Net cash used in investing activities	<u>(456,648)</u>	<u>-</u>
Effect of exchange rate changes on cash	(14,159)	-
Change in cash for the period	1,315,585	(264,494)
Cash, beginning of period	4,382,171	4,691,169
Cash, end of period	<u>\$ 5,697,757</u>	<u>\$ 4,426,675</u>
Supplemental cash flow information		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -
Reallocation on exercise of options	\$ 55,742	\$ -
Issuance of finders options as issuance costs	\$ 85,215	\$ -
Acquisition of GlobalBlock UK	\$ 39,729,000	\$ -
Cancellation of escrow shares	\$ -	\$ 9,924,323

The accompanying notes are an integral part of these financial statements

GLOBALBLOCK DIGITAL ASSET TRADING LIMITED
(formerly Helix Applications Inc)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(UNAUDITED) Expressed in Canadian Dollars

1. Nature and continuance of operations

GlobalBlock Digital Asset Trading Limited (formerly Helix Applications Inc.) (the “Company” or “GBDAT”) is a publicly traded company whose common shares trade on the TSX Venture Exchange under the symbol “BLOK”. In July 2021, GlobalBlock completed its acquisition of GlobalBlock Limited (“GlobalBlock UK” or “GB UK”) (Note 4), a United Kingdom based digital asset brokerage, and in connection with this acquisition the Company changed its name from Helix Applications Inc. The Company’s head office and principal address is 65 Curzon Street, London, United Kingdom, W1J 8PE.

These consolidated financial statements have been prepared on a going concern basis, which presumes realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. These consolidated financial statements do not give effect to adjustments or disclosures that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those presented in these consolidated financial statements.

During the nine months ended September 30, 2021, the Company incurred a net loss of \$3,682,889 and had negative cash flows from operations of \$1,033,798. As at September 30, 2021, the Company held unrestricted cash of \$5,697,756 and had working capital of \$6,087,822. As at September 30, 2021, management estimates they have the adequate cash on hand to fulfil its planned operations for the next twelve months. The Company’s ability to carry out its business plan is dependent upon the ability of the Company to generate sufficient revenues and positive cash flows from its operating activities and/or obtain sufficient additional financing to settle its obligations and fund its planned operations. These condensed interim financial statements were approved by the Board of Directors on November 25, 2021.

The outbreak of the coronavirus, also known as COVID-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include travel bans, self-imposed quarantine periods and social distancing, have affected economies and financial markets around the world. The duration and impact of the COVID-19 outbreak is unknown and it is not possible to reliably estimate the length and severity of these developments as well as the impact on the Company’s ability to raise capital or financial results and condition of the Company in future periods.

2. Basis of presentation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IAS 34 “*Interim Financial Reporting*” and International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) in effect at September 30, 2021 on a basis consistent with accounting policies followed in the most recent annual financial statements. These interim condensed financial statements do not include all the information required for full annual financial statements, however, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2020.

(b) Basis of consolidation and presentation

These consolidated financial statements have been prepared on a historical cost basis, except for digital assets and financial instruments classified as fair value through profit and loss which are stated at their fair value. In addition, these financial statements have been prepared using the accruals basis of accounting, except for cash flow information.

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These consolidated financial statements include the accounts of all entities controlled by the Company, which are referred to as subsidiaries and references to the Company includes references to such subsidiaries. The financial statements of the subsidiaries are included in these consolidated financial statements from the date on which control commences until the date on which control ceases. The Company's subsidiaries during the periods presented include:

Helix Applications (USA) Inc. (incorporated December 14, 2018 and dissolved January 31, 2020)
GlobalBlock Ltd. (United Kingdom) - acquired July 19, 2021)

Intercompany balances and transactions are eliminated upon consolidation and preparation of these consolidated financial statements.

(c) *Functional and reporting currency*

These consolidated financial statements are presented in Canadian Dollars which is also the functional currency of the parent entity, GBDAT. The functional currency of GlobalBlock UK is the British Pound.

Transactions in foreign currencies are translated to the Company's functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the Company's functional currency at the period end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in the statement of loss and comprehensive loss.

3. Significant accounting judgments and estimates and new accounting policies

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgment based on various assumptions and other factors, such as historical experience and current and expected economic conditions. Actual results may differ from these estimates.

(a) *Critical accounting judgements*

Digital assets – accounting

There is limited guidance on the recognition and measurement of digital currencies. The Company has assessed that it acts in a capacity as a commodity broker-trader as defined in IAS 2, *Inventories*, in characterising certain of its holdings as inventory, or more specifically, digital assets. If assets held by commodity broker-traders are principally acquired for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-trader margin, such assets are accounted for as inventory, and changes in fair value less cost to sell are recognized in profit and loss.

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.

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.

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Deferred income taxes

The Company recognizes the deferred tax benefit related to deferred income tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant judgement of future taxable profit. Management is required to assess whether it is probable that the Company will benefit from its deferred tax assets. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

(b) *Significant accounting estimates*

Determination of asset and liability fair values and allocation of purchase consideration

Significant acquisitions require judgement and estimates to be made at the date of acquisition in relation to determining the relative fair value of the allocation of the purchase consideration over the fair value of the assets and liabilities acquired. The information necessary to measure the fair values as at the acquisition date of assets acquired requires management to make certain judgement and estimates about the future performance of these assets.

Digital asset valuation

Digital assets consist of cryptocurrency denominated assets and are included in current assets. Digital assets are carried at their fair value determined by the spot rate less costs to sell. The digital currency market is still new and highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital assets may have a significant impact on the Company's earnings and financial position. Fair value is determined by taking the price of the coins at 2400 hours (per the Greenwich Mean Time zone) per www.coinmarketcap.com.

Share-based compensation

Share-based payments and compensatory warrants are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and is expensed to profit and loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

(c) *Goodwill*

Goodwill represents the excess of the purchase price paid for an acquisition over the fair value of the net tangible and intangible assets acquired. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill has an indefinite useful life, is not subject to depreciation and is tested annually for any impairment or more frequently in the case that events or circumstances indicate that they may be impaired.

(d) *Digital assets*

As the Company acts as a broker-trader who buys and sells digital assets principally for the purpose of execution of customer trades, the Company applies broker-trader exception under IAS 2, Inventories, which requires broker-traders to measure digital assets inventory at fair value less costs to sell. Fair value is determined by reference to quoted prices published by www.coinmarketcap.com.

(e) *Cash – held for clients*

Cash held for clients represents cash and cash equivalent balances which include funds deposited by customers and funds due to customers as a result of the sale of a crypto asset. The Company records a corresponding liability in connection with this amount in Client deposits on the consolidated statements of financial position. Cash and

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cash equivalents held for clients are maintained in segregated Company bank accounts that are held for the benefit of customers.

(f) Client deposits liability

Client deposits liability represents the fair value of digital assets and cash deposits due to clients offset by unsettled deposits and withdrawals.

(g) Intangible assets

Intangible assets include separately identifiable intangible items arising from business combinations or asset acquisitions as well as internally generated intangible assets. Intangible assets are recognized at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition and intangible assets with a finite useful life are amortized using the straight-line method over the estimated useful life.

The estimated useful life for the customer list & brand acquired in the GlobalBlock UK Acquisition is 5 years.

An internally-generated intangible asset arising from development is recognized only if all of the following have been demonstrated (and only commencing meeting the criteria): i) the technical feasibility of completing the intangible asset so it will be available for use; ii) the intention to complete the intangible asset and use it; iii) the ability to use the intangible asset; iv) how the intangible asset will generate probable future economic benefits; v) the availability of adequate technical, financial and other resources to complete the development and to use the intangible asset; and vi) the ability to measure reliably the expenditure attributable to the intangible asset during its development. Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, with amortization commencing once the development of the internally generated intangible asset is complete and it is ready for use.

At each reporting date, intangible assets are reviewed for indicators of impairment, and if such indications exist, the intangible assets are analyzed to assess whether their carrying amount is fully recoverable.

(h) Revenue recognition

The Company earns revenues from providing execution-only brokering services to assist clients in the buying and selling digital assets through one or more trade providers. That is, the Company is an agent in transactions between clients and third parties to buy, sell or convert digital assets and charges a commission on the trade. The Company considers its performance obligation satisfied, and recognizes revenue, at the point in time the transaction is processed, when the fee is charged. The transaction price, represented by the trading fee, is calculated based on the volume, the complexity of the trade and the contract with the individual customer, which is collected from the customer at the time the transaction is executed. The Company may charge and collect its fee revenue in digital assets, with revenue measured based on the fair value of the digital asset received.

(i) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. At the acquisition date the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except deferred tax assets or liabilities which are recognized and measured in accordance with IFRS 12 – Income Taxes. Subsequent changes in fair values are adjusted against the cost of acquisition if they qualify as measurement period adjustments. The measurement period is the period between the date of acquisition and the date where all significant information necessary to determine the fair values is available and cannot exceed 12 months. All other subsequent changes are recognized in profit and loss.

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The purchase price allocation process resulting from a business combination requires management to estimate the fair value of identifiable assets acquired including intangible assets and liabilities assumed including any contingently payable purchase price obligation over time. The Company uses valuation techniques and these valuations are closely linked to the assumptions used by management on the future performance of the related assets and the discount rates applied. The determination of fair value involves making estimates relating to the assets acquired and the liabilities assumed.

4. GlobalBlock UK acquisition and goodwill

On July 19, 2021, the Company acquired 100% of the issued and outstanding shares of GlobalBlock UK by issuing 48,450,000 common shares (the “Consideration”) to the owners of GB UK (the “Acquisition”). These common shares are subject to a two year escrow of which 15% will be released from escrow six months after close and an additional 15% will be released every three months thereafter. In addition, the Company issued 2,550,000 common shares as finders fees (the “Finders Fee”).

The value of the Consideration shares is provisionally estimated at a value of \$0.82 per share, being the fair value on the close date of the Acquisition, for total consideration of \$39,729,000.

The Finders Fee was valued at \$0.82 per share for a total cost of \$2,091,000, which was recorded as transaction costs in profit and loss. Also included in transaction costs is \$197,572 relating to transfer taxes paid in connection with the Acquisition.

Prior to completion of the Acquisition, the Company loaned GB UK £750,000 in April 2021. The loan was unsecured, bore interest at 10% and was to mature in one year.

The Company has determined the Acquisition is a business combination as the assets acquired and liabilities assumed constitute a business. The Acquisition was accounted for using the acquisition method of accounting, whereby the assets acquired and the liabilities assumed were recorded at their estimated fair value at the acquisition date.

Purchase consideration:	
48,450,000 shares at \$0.82	<u>\$ 39,729,000</u>
Fair value of assets and liabilities acquired:	
Cash	8,049,299
Other assets	719,502
Digital assets	11,811,523
Intangible assets	1,030,501
Goodwill	38,431,509
Accounts payable and other current liabilities	(293,629)
Client deposits	(18,712,155)
Loan due to GBDAT	<u>(1,307,550)</u>
	<u>\$ 39,729,000</u>

The intangible assets include a provisional value for the Company’s customer list and branding and is expected to be amortized over a period of 5 years.

The resulting goodwill is attributable to the workforce and highly specialized nature of the acquired business and is not deductible for tax purposes.

The purchase price allocation for acquisitions reflect various fair value estimates which are subject to change within the measurement period. The primary areas of purchase price allocation that are subject to change relate to

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the valuation of identifiable intangible assets acquired and residual goodwill. Measurement period adjustments that the Company determines to be material will be applied retrospectively to the period of acquisition in the Company's consolidated financial statements and, depending on the nature of the adjustments, other periods subsequent to the period of acquisition could also be affected. The Company expects to finalize the accounting for the Acquisition by December 31, 2021.

5. Digital assets

	Fair value
Bitcoin	\$ 5,417,262
Ethereum	1,684,705
Ripple	1,315,418
Tether	487,973
Quant	473,134
Solana	313,304
Cardano	310,373
USDC	258,573
Bitcoin SV	225,428
Algorand	223,116
Polkadot	193,774
Matic Network	185,993
Litecoin	140,759
EOS	124,925
Other	908,307
Balance, as at September 30, 2021	\$ 12,263,044

6. Intangible asset

	Mobile App	Customer list & brand	Patents	Total
Balance, December 31, 2020	\$ -	\$ -	\$ -	\$ -
Additions – GB UK Acquisition (Note 4)	30,501	1,000,000	-	1,030,501
Additions	98,382	-	150,000	98,382
Impairment	-	-	(150,000)	(150,000)
Foreign currency translation	(2,836)	-	-	(2,836)
	126,047	1,000,000	-	1,126,047
Accumulated Amortization				
Balance, December 31, 2020	-	-	-	-
Additions	-	(50,000)	-	(50,000)
	-	(50,000)	-	(50,000)
Balance, September 30, 2021	\$ 126,047	\$ 950,000	\$ -	\$1,076,047

In February 2021, the Company acquired 4 blockchain patents and their related patent applications and development work for consideration of an upfront cash payment of \$150,000 and an ongoing royalty agreement of 5% of profits relating to any commercial application of these patents. These patents are not ready for use and as such are considered to be development assets. These patents are acquired intangible assets that are measured at cost and will be amortized when the patents are ready for use and can be used in a commercial application. As at September 30, 2021, the Company recorded a write-down of \$150,000 against this asset due to uncertainty on the future timing and application of these patents.

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In connection with the Acquisition of GB UK (Note 4), the Company recognized an in-development mobile application which the Company values using the historical costs of development and will be amortized when the mobile application is ready for use and can be used in a commercial application.

The Company also recognized Customer list and brand in connection with the Acquisition of GB UK (Note 4), which is being provisionally amortized over a period of 5 years representing the estimated useful life of the intangible asset.

7. Accounts payable and other current liabilities

	September 30, 2021	December 31, 2020
Accounts payable, accrued liabilities & other	\$ 239,107	\$ 71,305
Corporate income tax payable	124,693	-
Wages and salaries payable	217,971	-
Total	\$ 581,771	\$ 71,305

8. Client deposits liability

	Fair value
British pounds	\$ 10,328,819
Bitcoin	5,343,539
US dollar	3,467,705
Ethereum	1,679,861
Ripple	1,305,069
Quant	466,628
Tether	329,961
Cardano	310,137
Solana	250,527
Bitcoin SV	225,398
Euro	220,671
Algorand	215,599
Polkadot	188,860
Matic Network	184,446
Other	1,386,553
Balance, as at September 30, 2021	\$ 25,903,773

9. Shareholders' equity

(a) Share capital

Authorized

Unlimited number of common shares with no par value
Unlimited number of preferred shares with no par value, non-voting

Share Cancellation

In February 2020, the Company cancelled 14,594,594 common shares with approval of the TSX Venture Exchange and in accordance with the terms of the Escrow Agreement - Surplus Securities entered in connection with the Change of Business of the Company that was completed on October 30, 2018 (the "COB"). The common shares that were cancelled had a grant date fair value of \$0.68 per share and represented approximately 85% of the common shares issued to shareholders of BlockCoBuilders Inc. in connection with the acquisition of that company under the COB.

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Option exercises

In March 2021, the Company issued 200,000 common shares pursuant to the exercise of stock options at a price of \$0.165 for proceeds of \$33,000; a reallocation of reserves of \$29,535 to share capital was recorded in connection with the exercise of these options.

In July 2021, the Company issued 300,000 common shares pursuant to the exercise of stock options at a price of \$0.085 for proceeds of \$25,500; a reallocation of reserves of \$26,209 to share capital was recorded in connection with the exercise of these options.

Private placement

In April 2021, the Company completed a private placement of 2,000,000 common shares at a price of \$1.50 for gross proceeds of \$3,000,000. In connection with this financing, the Company paid a 7% cash finders fee and other share issuance costs totalling \$238,310, and issued a finder's option to acquire up to 140,000 common shares of the Company with an exercise price of \$1.50 and a term of 24 months. The fair value of these agent's options, being \$85,215, was determined using Black-Scholes option pricing model with the following assumptions: volatility of 75%, term of 2 years, expected interest rate of 0.28% and expected dividend yield of 0%.

GlobalBlock UK Acquisition

In July 2021, the Company issued 48,450,000 shares to the owners of GlobalBlock UK in exchange for 100% of their shares (Note 4). These shares were valued at \$39,729,000, being \$0.82 per share. In connection with this Acquisition, the Company issued 2,550,000 shares as a Finders' Fee (Note 4) valued at \$2,091,000.

Stock options

Under the Rolling Stock Option Plan, the Company is able to grant options, the aggregate number of which shall not exceed 10% of the issued share capital of the Company at the time of granting any options (on a non-diluted basis). The options are exercisable for a period of up to five years from the date of grant, as determined by the Board of Directors, and the exercise price cannot be less than the price permitted by any stock exchange on which shares are then listed. The Board of Directors determines the time at which any options may vest.

A summary of the Company's stock option activity is as follows:

	Number of Options	Weighted average Exercise Price
Balance, as at December 31, 2020	1,625,525	\$ 0.56
Granted	2,330,000	0.877
Exercised	(500,000)	0.12
Balance, as at September 30, 2021	3,455,525	\$ 0.84

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As at September 30, 2021, stock options outstanding are as follows:

Expiry Date	Number of options Outstanding	Number of options Exercisable	Exercise Price
October 31, 2021	175,000	175,000	\$0.95
June 5, 2023	650,525	650,525	\$0.95
June 13, 2024	300,000	300,000	\$0.23
July 22, 2026	1,330,000	640,000	\$0.82
August 9, 2026	1,000,000	-	\$0.95
Total	3,455,525	1,765,525	

Subsequent to September 30, 2021, 175,000 options expired unexercised and 500,000 options were granted with an exercise price of \$0.75 and a term of five years.

Share-based payments

In July 2021, the Company granted 1,330,000 stock options to directors, officers, employees and key consultants of the Company. The options are exercisable at \$0.82 and expire July 22, 2026. The fair value of \$570,950 (\$0.43 per option) was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 75%, a risk-free rate of 0.71% and a weighted average expected life of 3.5 years. The Company recognized \$315,936 of share-based payments expense in connection with the vesting of these options.

In August 2021, the Company granted 1,000,000 stock options to employees of the Company. The options are exercisable at \$0.95 and expire August 9, 2026. The fair value of \$572,067 (\$0.57 per option) was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 75%; a risk-free rate of 0.71% and an expected life of 4.3 years. The Company recognized \$49,193 of share-based payments expense in connection with the vesting of these options.

Agent's options

In connection with the Company's private placement in April 2021, the Company issued 140,000 agent's options with an exercise price of \$1.50 and expiring April 1, 2023.

A summary of the Company's agent's options activity is as follows:

	Number of Options	Weighted average exercise Price
Balance as at December 31, 2020	-	\$ -
Agent's options issued	140,000	1.50
Balance as at September 30, 2021	140,000	\$ 1.50

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10. Related party transactions and balances

The amounts in the table below are amounts recognized as expense related to directors and senior officers identified as key management personnel by the Company, which includes the directors, CEO, CFO, COO and T. Bullman, K. Thompson and P. Bullman. The following table is for the nine months ended September 30, 2021 and 2020:

	2021	2020
Paid to the Company's CEO	\$ 123,179	71,237
Paid to the Company's COO	32,438	-
Paid to a company controlled by the CFO	80,625	-
Paid to the Company's former CFO	-	90,000
Paid to key management of GB UK	105,834	-
Paid to non-executive directors	44,500	50,750
Paid to a law firm which has a former director as a partner	69,240	-
Rent paid to a company controlled by officers of the Company	49,976	-
Share-based compensation	239,312	126,896

As at September 30, 2021, \$103,612 was due to related parties and included in accounts payable and accrued liabilities.

11. Capital management

The Company's objectives when managing capital are to:

- (i) maintain a flexible capital structure which optimizes the cost of capital at acceptable risk;
- (ii) support any expansion plans.

In the management of capital, the Company includes shareholders' equity.

The Company manages its capital structure and makes adjustments when the economic and risk conditions of the underlying assets require change. In order to maintain or adjust the capital structure, the Company may issue new shares, issue new debt, and/or issue new debt to refinance existing debt.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

The Company is not exposed to any externally imposed capital requirements and there were no changes to management's approach to capital management during the period ended September 30, 2021.

12. Financial instruments and digital asset risk

As at September 30, 2021, the Company's financial instruments consist of cash, deposits, accounts payable and accrued liabilities and client deposits liability. At September 30, 2021, the carrying values of these instruments approximate their fair values given their short term nature.

The fair values of financial assets and financial liabilities are characterized using a hierarchy as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. - as prices) or indirectly (i.e.: derived from prices); and

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Level 3 – inputs for the asset or liability that are not based on observable market data.

As at September 30, 2021, digital assets and the portion of client deposits liability denominated in digital assets, are measured using level two fair values.

(i) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payments obligations. The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash and cash on deposit with exchanges and third parties. The Company has no interest bearing debt. The Company manages its credit risk by using reputable financial institutions. Management believes that the credit risk concentration with respect to cash held at banks is remote since all cash is held with financial institutions of reputable credit.

The Company limits its credit risk of digital assets by placing these assets with counterparties on which the Company has performed internal due diligence procedures. The Company's ongoing due diligence procedures including procedures around on-boarding new counterparties which includes review of counterparty AML and KYC policies, review of market information specifically regarding various counterparties' security and solvency risk, and monitoring balance limits for each counterparty, as well as security processes around custodial private keys. The Company believe that these processes limit its exposure to credit risk with respect to its digital assets.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at September 30, 2021, the Company is not exposed to any significant interest rate risk.

(iii) Currency risk

Currency risk relates to the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign exchange rates. Exchange rate fluctuations affect the portion of brokering fee revenues charged in fiat, and the costs that the Company incurs in its operations.

The majority of the Company's expenditures are incurred in the British pound, the functional currency of GlobalBlock UK. GlobalBlock UK most significant denomination of revenue is the British pound, however, it also collects revenue in US dollars, Euro and numerous digital assets. For the Canadian parent, GBDAT, the majority of expenses are incurred in Canadian dollars, which is also the currency in which the Company has historically raised capital and is the functional currency of the entity. While transactions in foreign currencies, and the fluctuation of foreign currencies to each entity's respective functional currency will impact the profitability of the Company, the Company seeks to minimize exposure to currency risk by ensuring revenues and expenses are in the same currency as much as possible.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company manages liquidity risk by maintaining cash balances to ensure that it is able to meet its short and long term obligations as and when they fall due. The Company manages cash projections centrally and regularly updates projections for changes in business forecasts and fluctuations caused by changes in digital asset prices and foreign exchange rates.

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(v) Digital asset risk

Digital asset prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and global political and economic conditions, as well as general public sentiment. The Company maintains an investment in digital assets as a result of earning revenues denominated in cryptocurrencies which may be subject to significant changes in value and therefore exposed to market risk with the fluctuation in market prices, and in addition, the profitability of the Company is directly related to current and future demand for digital assets. The Company monitors this risk on a daily, weekly and monthly basis to make informed decisions on the degree of exposure the Company has to the volatility of the digital asset market.

(vi) Permits and licenses

Certain operations of GlobalBlock UK require licenses and permits from various governmental authorities. Presently, to operate in the United Kingdom, GlobalBlock UK has been temporarily registered under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 as a cryptoasset business until 31st March 2022, pending the determination of the application by the Financial Conduct Authority. There can be no assurance that GlobalBlock UK will be able to obtain a permanent license from the Financial Conduct Authority or all other necessary licenses and permits that may be required. Furthermore, failure or delays in obtaining necessary approvals for licenses and permits, could have a materially adverse effect on the Company's financial condition and result of operations. Should GlobalBlock UK seek to expand its business outside of the United Kingdom and Ireland, it will need to comply with the laws and regulations of each jurisdiction in which it carries on such business. There is no assurance that GlobalBlock UK will be able to comply with the laws and regulations of each jurisdiction in which it seeks to expand.