

GLOBALBLOCK DIGITAL ASSET TRADING LIMITED

FINANCIAL STATEMENTS

Expressed in Canadian Dollars

FOR THE SIX MONTHS ENDED JUNE 30, 2022

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
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS AS AT FINANCIAL POSITION
Expressed in Canadian Dollars

	June 30, 2022	Dec 31, 2021
	\$	\$
ASSETS		
Current		
Cash	1,359,270	3,052,937
Cash – held for clients	2,361,329	5,346,450
Receivables, prepaids and deposits	532,174	563,211
Assets staked as Defi (Note 5)	-	
Defi asset inventory (Note 6)	-	
Digital asset inventory (Note 7)	<u>13,107,185</u>	<u>26,775,969</u>
	17,359,958	35,738,567
Equipment	93,705	61,079
Intangible asset (Note 8)	2,630,627	3,071,238
Goodwill (Note 4)	<u>5,486,652</u>	<u>5,896,563</u>
	<u>25,570,942</u>	<u>44,767,7447</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities (Note 9)	646,395	878,252
Defi asset inventory (Note 10)	-	
Client deposits liability (Note 11)	<u>15,348,468</u>	<u>30,576,745</u>
	15,994,863	31,454,997
Deferred tax liability	338,544	363,837
	<u>-</u>	<u>-</u>
	16,333,407	31,818,834
Shareholders' equity		
Share capital (Note 12)	150,858,451	150,858,451
Reserves (Note 12)	10,775,878	10,364,515
Accumulated other comprehensive income (loss)	(1,073,459)	(437,605)
Deficit	<u>(151,323,335)</u>	<u>(147,836,748)</u>
	<u>9,237,535</u>	<u>12,948,613</u>
	<u>25,570,942</u>	<u>44,767,447</u>

Nature of operations and going concern (Note 1)
Acquisition of GlobalBlock UK (Note 4)
Subsequent events (Note 16)

On behalf of the Board on 29th August 2022:

_____ Director *Trevor Gabriel* _____ Director *Rufus Round*

GLOBALBLOCK DIGITAL ASSET TRADING LIMITED

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
Expressed in Canadian Dollars

	For the three months ended June 30, 2022	For the three months ended June 30, 2021	For the six months ended June 30, 2022	For the six months ended June 30, 2021
	\$	\$	\$	\$
REVENUE	428,775	0	899,445	0
Operating expenses				
Amortization	(11,190)	-	317,941	
General & administration	708,038	229,971	1,294,581	483,070
Foreign exchange	11,008	-	292,852	
Sales & marketing	71,609	-	209,334	
Share-based payments (Note 12)	214,861	-	411,363	
Wages & payroll	905,277	-	1,647,405	
Total Operating Cost	1,899,603	229,971	4,173,476,	483,070
Trading loss	(1,470,828)	(229,971)	(3,274,031)	(483,070)
Other items				
Fair value adjustments (Note 13)	(294,462)	-	(210,649)	
Finance income (expense)	113	31,434	(1,907)	38,962
Loss for the period	(1,765,177)	(198,537)	(3,486,587)	(444,108)
Other comprehensive income (loss) to be reclassified to profit and loss in subsequent periods:				
Cumulative translation adjustment	(329,404)	(306,450)	(635,854)	
Loss & comprehensive loss for the period	(2,094,581)	(504,987)	(4,122,441)	(444,108)
Basic and diluted loss per common share	(0.02)	0.00	(0.08)	(0.01)
Weighted average number of common shares outstanding – basic and diluted	104,948,741	53,648,738	42,873,298	52,543,769

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

GLOBALBLOCK DIGITAL ASSET TRADING LIMITED

(formerly Helix Applications Inc.)

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Expressed in Canadian Dollars

	Shares	Share capital	Reserves	Accumulated other comprehensive income	Deficit	Total shareholders' equity
	\$	\$	\$	\$	\$	\$
Balance, December 31, 2020	51,448,741	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	-	-	557,527	-	-	557,527
Loss and comprehensive loss for the year	-	-	-	(437,605)	(36,155,525)	(36,593,131)
Balance, December 31, 2021	104,948,741	150,858,451	10,364,515	(437,605)	(147,836,748)	12,948,613
Share-based payments	-	-	411,363	-	-	411,363
Loss and comprehensive loss for the period	-	-	-	(635,854)	(3,486,588)	(4,122,442)
Balance, June 30, 2022	104,948,741	150,858,451	10,775,878	(1,073,459)	(151,323,335)	9,237,535

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

GLOBALBLOCK DIGITAL ASSET TRADING LIMITED
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
Expressed in Canadian Dollars

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
CASH FLOW USED IN OPERATING ACTIVITIES		
	\$	\$
Loss for the period	(3,486,587)	(444,108)
Adjusted for:		
Amortization	317,941	-
Share-based payments	411,363	-
Accrued interest	-	(26,779)
Unrealized foreign exchange		10587
Impairment of goodwill	-	
Changes in non-cash working capital items:		
Receivables, prepaids & deposits	31,037	10,452
Digital assets	(2,985,121)	-
Cash - client	(1,785,436)	
Defi investments and assets		-
Accounts payable & accrued liabilities	(231,857)	(52,765)
Client deposits liability	(15,228,277)	-
Net cash used in operating activities	<u>(6,650,285)</u>	<u>(502,613)</u>
CASH FLOW PROVIDED BY FINANCING ACTIVITIES		
Share subscriptions received in advance	-	-
Proceeds from exercise of options	-	33,000
Proceeds from private placement, net of costs		2,761,690
Net cash provided by financing activities	<u>-</u>	<u>2,794,690</u>
CASH FLOW USED IN INVESTING ACTIVITIES		
Expenditures on intangible asset	(50,882)	(150,000)
Purchase of equipment	(20,860)	-
Loan advance to GB UK	-	(1,295,003)
Cash on acquisition of GB UK	-	-
Net cash used in investing activities	<u>(71,742)</u>	<u>(1,445,003)</u>
Effect of exchange rate changes on cash	136,493	-
Change in cash for the period	(1,830,160)	847,074
Cash, beginning of period	3,052,937	4,382,171
Cash, end of period	<u>1,359,270</u>	<u>5,229,245</u>

Supplemental cash flow information

Income taxes paid	-
Interest paid	-
Reallocation on exercise of options	29,535
Issuance of finders options	85,215

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

GLOBALBLOCK DIGITAL ASSET TRADING LIMITED

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

Expressed in Canadian Dollars

1. Nature of operations and going concern

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. In May 2022, the Company transitioned its brokerage business to Lithuania but maintains an office in the UK.

These unaudited condensed interim 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 six months ended June 30, 2022, the Company incurred a net loss of \$3,486,587 and had negative cash flows from operations of \$6,650,285. As at June 30, 2022, the Company held unrestricted cash of \$910,415 and had working capital of \$1,365,095. These factors indicate a material uncertainty which may cast significant doubt upon the Company’s ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company’s ability to continue as a going concern is dependent upon its ability to achieve profitable operations. The Company may need to obtain additional funding from loans or equity financings or through other arrangements. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

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 June 30, 2022 on a basis consistent with accounting policies followed in the most recent annual financial statements. These unaudited condensed interim consolidated financial statements do not contain 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, 2021.

IFRS does not currently provide specific guidance to address many aspects of the digital asset industry. The Company is required to make judgments as to the application of IFRS and the selection of its accounting policies. The Company has disclosed its presentation, recognition and derecognition, and measurement of digital assets, and the recognition of revenue as well as significant assumptions and judgments, however, if specific guidance is enacted by the IASB in the future, the impact may result in changes to the Company’s earnings and financial position as presented.

GLOBALBLOCK DIGITAL ASSET TRADING LIMITED

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

Expressed in Canadian Dollars

These consolidated financial statements were approved by the Board of Directors on 29th August 2022.

(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. All amounts are presented in Canadian Dollars (“CAD”) unless otherwise stated.

Certain comparative figures have been reclassified where necessary to conform with current year presentation.

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:

GlobalBlock Ltd. (United Kingdom) - acquired July 19, 2021

GlobalBlock Europe UAB (Lithuania) (incorporated March 18, 2022)

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.

GLOBALBLOCK DIGITAL ASSET TRADING LIMITED

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

Expressed in Canadian Dollars

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.

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.

Determination of impairment of goodwill

Management is required to assess goodwill for impairment at least annually, including at the end of the current period in which it was acquired. There is a material degree of uncertainty with respect to estimates of the recoverable amount of the cash generating unit to which goodwill relates and management exercises judgement in estimating the amount and timing of future cash flows and appropriate valuation technique applied. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

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.

There are no new or upcoming accounting pronouncements that are expected to have a material impact on the Company.

GLOBALBLOCK DIGITAL ASSET TRADING LIMITED

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

Expressed in Canadian Dollars

4. GlobalBlock UK acquisition and goodwill

As of December 31, 2021, the Company performed an impairment test on the goodwill using the value in use method. The key assumptions incorporated greater uncertainty in the future cash flows related volatility in overall cryptocurrency market, timelines and scope for implementation and launch of future service offerings where revenue will grow at an average rate of 24% annually over the next five years, inflation rates to costs of 5%-8% and a discount rate of 20.7%, resulting in an impairment charge of \$30,995,130.

As of June 30, 2022, the Company has not performed impairment test on the goodwill as it was done recently and there are no changes.

5. Assets staked as DeFi investments

As at June 2022 the Company held \$0 in DeFi investments. cryptocurrency or stable coins are staked in platforms to accrue earnings. The platform/DeFi provider accepts BTC, ETH or USD stable coins. As at reporting date i.e., 29th August 2022, the Company does not have any risk associated with DeFi as all the investments were liquidated and returned to customers. cryptocurrencies held by under DeFi do not enjoy the same protections as are available in respect of traditional bank deposits and financial products.

DeFi platforms are under no duty to return to you the same Cryptocurrencies originally delivered to, or otherwise held by, the DeFi platform, but where necessary we will return equivalent Cryptocurrencies of an identical type, and in the same nominal amount, of the relevant Cryptocurrencies to you; and the platforms have the Company's consent that the DeFi platform may deposit, transfer, lend, pledge, repledge or otherwise Risk Disclosures

Below are the risk factors associated with DeFi investments:

Volatility: Cryptocurrencies are more volatile relative to most fiat currencies and other assets and this unpredictability of their price may result in significant loss over a short period of time. DeFi platforms are not responsible for the Cryptocurrencies market and make no representations or warranties concerning the real or perceived value of any Cryptocurrencies, and the quality, suitability, usefulness, accuracy, or completeness of any data provided by the DeFi platform.

Not legal tender: Cryptocurrencies are not money or legal tender, are not backed by any government or central banks and mostly do not have any underlying assets, revenue stream, or another source of value.

Deposit insurance: DeFi platforms are not a bank or depositary institution. They are not covered by insurance against losses or subject to any Deposit Guarantee Scheme, Federal Deposit Insurance Protection, or Securities Investor Protection Corporation protections or the protections of any comparable organisation in other jurisdictions.

Regulatory status: The regulatory status of Cryptocurrencies is currently unsettled, varies among jurisdictions and is subject to significant uncertainty. Legislative and regulatory changes or actions relating to Cryptocurrencies or blockchain technology at a domestic, international, or supranational level may adversely affect or restrict, as applicable, the use, transfer, exchange and value of Cryptocurrencies, as well as the provision of our Services.

Fraud: The nature of Cryptocurrencies may lead to an increased risk of fraud or cyberattack and any losses due to fraudulent or accidental transactions will not be recoverable.

GLOBALBLOCK DIGITAL ASSET TRADING LIMITED

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

Expressed in Canadian Dollars

6. Defi assets inventory

DeFi assets inventory constitutes assets held in DeFi platform such as Curve.io. is where Cryptocurrencies or stable coins are deposited in order to earn staking rewards back by mainstream coins such as BTC or ETH and Stable coins. The main risk of DeFi platforms is devaluation of cryptocurrency or the loss of a USD Peg such as the case with UST. The assets were liquidated and returned to customers prior to reporting date.

7. Digital assets**Fair value of digital assets held as at:**

	June 30, 2022	December 31, 2021
	\$	\$
Ethereum	4,091,719	4,620,420
Bitcoin	2,812,585	6,994,379
Solana	952,575	3,763,397
Ripple	1,326,096	2,666,524
Zilliqa	377,371	595,874
Atom	-	750,813
Quant	500,664	795,22
Stellar	476,893	-
Luna	-	757,464
Polkadot	159,513	772,950
Tether	1,022,940	1,490,285
Avalanche	90,281	563,968
USDC	-	549,703
Decentraland	-	394,646
Crypto.com Coin	-	293,754
Other	1,296,547	1,766,565
Total	13,107,184	26,775,969

8. Intangible asset

	Mobile application	Customer list	Brand	Total
	\$	\$	\$	\$
Balance, December 31, 2021	194,455	2,240,858	1120,347	3,554,860
Additions	141,860	-	-	141,860
Foreign currency translation	(21,815)	(156,816)	(81,651)	(260,281)
	314,500	2,083,242	1,038,696	3,436,438
Accumulated amortization				
Balance, December 31, 2021	-	(372,017)	(111,605)	(483,622)
Additions	-	(184,108)	(138,081)	(322,189)
	-	(556,125)	(249,686)	(805,811)
Balance, June 30, 2022	314,500	1,527,117	789,010	2,630,627

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.

GLOBALBLOCK DIGITAL ASSET TRADING LIMITED

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

Expressed in Canadian Dollars

9. Accounts payable and other current liabilities

	June 30, 2022	December 31, 2021
	\$	\$
Accounts payable, accrued liabilities & other	574,718	491,550
Corporate income tax payable	-	125,702
Wages and salaries payable	71,677	261,000
Total	646,395	878,252

11. Client deposits liability

Fair value of client deposits liability as at:

	June 30, 2022	December 31, 2022
	\$	\$
Ethereum	4,080,579	4,609,784
Bitcoin	2,683,254	6,808,773
Solana	949,897	3,759,155
Ripple	1,325,347	2,664,839
British pounds	2,051,707	4,234,000
US Dollar	598,082	912,391
Zilliqa	377,371	595,043
Atom	396,336	744,820
Quant	500,183	795,234
Stellar	476,850	-
Luna	-	404,879
Polkadot	159,513	772,879
Avalanche	90,122	560,084
USDC	-	547,313
Decentraland	-	394,489
Other	1,659,224	2,773,062
Total	15,348,465	30,576,745

12. Shareholders' equity*(a) Share capital**Authorized*

Unlimited number of common shares with no par value

Unlimited number of pr

Deferred shares with no par value, non-voting

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.

GLOBALBLOCK DIGITAL ASSET TRADING LIMITED

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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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 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, 2021	4,280,525	\$ 0.81
Granted	550,000	0.32
Balance, as at June 30, 2022	4,830,525	\$ 0.75

As at June 30, 2022 stock options outstanding are as follows:

Expiry Date	Number of options Outstanding	Number of options Exercisable	Exercise Price
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
October 4, 2026	500,000	-	\$0.75
December 2, 2026	250,000	-	\$0.71
March 14, 2027	250,000	-	\$0.34
May 3, 2027	500,000	500,000	\$0.34
June 9, 2027	50,000	50,000	\$0.135
Total	4,830,525	2,140,525	

GLOBALBLOCK DIGITAL ASSET TRADING LIMITED

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

Expressed in Canadian Dollars

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 \$75,908 of share-based payments expense in connection with the vesting of these options for the period ended June 31, 2022.

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 \$85,141 of share-based payments expense in connection with the vesting of these options for the period ended June 30, 2022.

In October 2021, the Company granted 500,000 stock options to an employee of the Company. The options are exercisable at \$0.75 and expire October 4, 2026. The fair value of \$207,213 (\$0.41 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 0.96% and an expected life of 4.0 years. The Company recognized \$25,568 of share-based payments expense in connection with the vesting of these options for the period ended June 30, 2022.

In December 2021, the Company granted 250,000 stock options to employees of the Company. The options are exercisable at \$0.71 and expire December 2, 2026. The fair value of \$97,424 (\$0.39 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 1.27% and an expected life of 4.0 years. The Company recognized \$8,597 of share-based payments expense in connection with the vesting of these options for the period ended June 30, 2022.

In March 2022, the Company granted 250,000 stock options to an employee of the Company. The options are exercisable at \$0.34 and expire March 14, 2027. The fair value of \$47,117 (\$0.19 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 1.27% and an expected life of 4.0 years. The Company recognized \$1,288 of share-based payments expense in connection with the vesting of these options for the period ended June 30, 2022.

In May 2022, the Company granted 500,000 stock options to an employee of the Company. The options are exercisable at \$0.34 and expire March 09, 2024. The fair value of \$89,425 (\$0.18 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 1.27% and an expected life of 20 years. The Company recognized \$10,435 of share-based payments expense in connection with the vesting of these options for the period ended June 30, 2022.

In June 2022, the Company granted 50,000 stock options to an employee of the Company. The options are exercisable at \$0.135 and expire March 9, 2024. The fair value of \$3,553 (\$0.07 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 1.27% and an expected life of 2.0 years. The Company recognized \$1,50 of share-based payments expense in connection with the vesting of these options for the period ended June 30, 2022.

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.

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A summary of the

	Number of Options	Weighted average exercise Price
Balance as at December 31, 2020	-	\$ -
Agent's options issued	140,000	1.50
Balance as at June 30, 2022	140,000	\$ 1.50

13. Fair Value adjustments

Fair value adjustments related to revaluation of digital assets held and owned by the Company.

14. 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 three months ended June 30, 2022 and 2021:

	2022	2021
Paid to the Company's CEO	\$ 32,892	72,620
Paid to the Company's COO	28,193	-
Paid to a company controlled by the CFO	39,157	15,000
Paid to key management of GB UK		-
Paid to non-executive directors	75,181	27,500
Paid to a law firm which has a former director as a partner	32,102	69,240
Rent paid to a company controlled by officers of the Company	62,024	-
Share-based compensation	55,414	-

As at June 30, 2022, \$34,993 (December 31, 2021 - \$130,779) was due to related parties and included in accounts payable and accrued liabilities.

15. 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.

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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 June 30, 2022.

16. Financial instruments and digital asset risk

As at June 30, 2022, the Company's financial instruments consist of cash, deposits, assets staked as Defi investments, accounts payable and accrued liabilities and client deposits liability. As at June 30, 2022, 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

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

(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.

(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.

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As of June 30, 2022, the Company's is exposed to USD foreign exchange risk through the financial assets and liabilities denominated in USD with regards to the Company's subsidiary, GB UK. The net monetary position in USD by GB UK as at June 30, 2022 is £555,780 and a 10% change in the foreign exchange rate would cause a \$105,693 change in Company's net income before taxes.

(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. All of the Company's liabilities are short term in nature and mature within 30 days of June 30, 2022.

(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) Counterparty risk

The Company holds customers' digital assets through self-custody solutions, Company accounts with crypto asset exchanges and counterparties, and custodians. The Company's custody strategy is designed to support liquidity and efficient trading by ensuring digital assets are readily available to deploy in client requested trades, while ensuring the digital assets are also safeguarded against theft, hacks, or security breaches. The Company continuously monitors its cash and digital asset balances maintained with its various counterparties, as well as monitors the counterparties themselves, evaluating their systems, controls, public disclosures, insurance, reputation, and liquidity processes. Based on the Company's ongoing diligence of the counterparties, and the available digital assets that can be held, the Company prioritizes holding digital assets at counterparties with external evaluation of their controls (such as SOC reports), self-custody cold storage solutions and counterparties which may offer insurance coverage in certain circumstances.

Digital assets are controllable by the possessor of both the unique public key and private key relating to the local or online digital wallet in which the digital assets are held. The networks require a public key relating to a digital wallet to be published when used in a spending transaction and, if private keys are lost or destroyed, this could prevent trading of the corresponding digital asset. Security breaches, computer malware, and computer hacking attacks have been a prevalent concern in the digital asset exchange markets. The Company has committed to securely store all digital assets it holds on to behalf of its users and as such the Company may be liable to its users for losses arising from the theft or loss of user private keys. The Company has no reason to believe it will incur any expense associated with such potential liability because i) it has no known or historical experience of claims to use as a basis of measurement ii) it accounts for and continually verifies the amount of digital assets within its control and iii) it has established security around custodial private keys to minimize the risk of theft or loss.

(vii) Permits and licenses

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Certain operations of the Company and its operating subsidiaries, GlobalBlock UK and GlobalBlock Europe, require licenses and permits from various governmental authorities. GlobalBlock UK is currently operating as a digital asset broker in the United Kingdom under the consent of the Financial Conduct Authority in the United Kingdom until May 25, 2022. GlobalBlock Europe was incorporated for the purpose of transitioning the digital asset broker business to Lithuania and becoming a European based Virtual Asset Service Provider (being a virtual currency depository wallet operator and virtual currency exchange operator). When this transition occurs (expected to take place before May 25, 2022) GlobalBlock Europe will not be a licensed financial services provider and will not be supervised by the Bank of Lithuania. GlobalBlock Europe, UAB will be supervised by the Financial Crime Investigation Service under the Ministry of Interior of the Republic of Lithuania within the scope of the Law on Prevention of Money Laundering and Terrorist Financing of the Republic of Lithuania and other legislation stemming thereof.

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 seek to expand its business, 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 (through its operating subsidiaries) will be able to comply with the laws and regulations of each jurisdiction in which it seeks to expand.

17. Subsequent events

In March 2022, the Company announced the incorporation of GlobalBlock Europe UAB in the European Union jurisdiction of Lithuania, and the Company's transition to become a European based Virtual Asset Service Provider ("VASP"). Concurrently, the Company announced it was withdrawing from the Financial Conduct Authority ("FCA") registration process in the UK and would transition fully as a VASP in Europe effective May 25, 2022, with all clients transitioned to GlobalBlock Europe UAB at this time. The Company's services and offerings will all remain unchanged, and a European Union base is expected to have greater potential growth in the long term.

On August 4, 2022 800,000 options were issued to directors and officers of the Company with a \$0.25 exercise price, expiring August 4, 2027.