

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

CONSOLIDATED FINANCIAL STATEMENTS

Expressed in Canadian Dollars

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020



KINGSTON
ROSS
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CHARTERED PROFESSIONAL ACCOUNTANTS

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May 30, 2022
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of GlobalBlock Digital Asset Trading Limited

Opinion

We have audited the consolidated financial statements of GlobalBlock Digital Asset Trading Limited (the Company), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows 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 December 31, 2021, and the consolidated financial performance and consolidated cash flows 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.

Emphasis of Matter - Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$36,155,525 during the year ended December 31, 2021 and, had negative cash flows from operations of \$3,618,084. As stated in Note 1, these events or conditions, along with other matters as set forth in the notes to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 29, 2021.

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.

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Independent Auditor's Report to the Shareholders of GlobalBlock Digital Asset Trading Limited *(continued)*

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.

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.

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Independent Auditor's Report to the Shareholders of GlobalBlock Digital Asset Trading Limited (*continued*)

- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

The engagement partner on the audit resulting in this independent auditor's report is Jane Davidson, CPA, CA.

Kingston Ross Pasmak LLP
Kingston Ross Pasmak LLP
Chartered Professional Accountants

GLOBALBLOCK DIGITAL ASSET TRADING LIMITED
(formerly Helix Applications Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Expressed in Canadian Dollars

	December 31, 2021	December 31, 2020
ASSETS		
Current		
Cash	\$ 3,052,937	\$ 4,382,171
Cash – held for clients	5,346,450	-
Receivables, prepaids and deposits	563,211	33,159
Digital asset inventory (Note 5)	<u>26,775,969</u>	<u>-</u>
	35,738,567	4,415,330
Equipment	61,079	-
Intangible asset (Note 6)	3,071,238	-
Goodwill (Note 4, 13)	<u>5,896,563</u>	<u>-</u>
	<u>\$ 44,767,447</u>	<u>\$ 4,415,330</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 878,252	\$ 71,305
Client deposits liability (Note 8)	<u>30,576,745</u>	<u>-</u>
	31,454,997	71,305
Deferred tax liability (Note 14)	<u>363,837</u>	<u>-</u>
	31,818,834	71,305
Shareholders' equity		
Share capital (Note 9)	150,858,451	106,247,733
Reserves (Note 9)	10,364,515	9,777,515
Accumulated other comprehensive income (loss)	(437,605)	-
Deficit	<u>(147,836,748)</u>	<u>(111,681,223)</u>
	<u>12,948,613</u>	<u>4,344,025</u>
	<u>\$ 44,767,447</u>	<u>\$ 4,415,330</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 May 30, 2022:

Trevor Gabriel Director Rufus Round Director

GLOBALBLOCK DIGITAL ASSET TRADING LIMITED
(formerly Helix Applications Inc.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
Expressed in Canadian Dollars

	For the year ended December 31, 2021	For the year ended December 31, 2020
REVENUE	\$ 1,473,842	\$ -
Operating expenses		
Amortization	494,252	-
General & administration	1,299,560	478,674
Foreign exchange	6,469	-
Sales & marketing	534,132	-
Share-based payments (Note 9)	557,527	133,630
Wages & payroll	1,597,991	-
Trading loss	(3,016,089)	(612,039)
Other items		
Fair value adjustments	(205,118)	-
Finance income	24,634	52,551
Transaction costs (Note 4)	(2,288,572)	-
Write down of assets (Note 6)	(150,000)	(65,286)
Impairment of goodwill (Note 13)	(30,995,130)	-
Loss for the year before income taxes	\$ (36,630,275)	\$ (625,039)
Deferred income tax recovery (Note 14)	474,750	-
Loss for the year	\$ (36,155,525)	\$ (625,039)
Other comprehensive income (loss) to be reclassified to profit and loss in subsequent periods:		
Cumulative translation adjustment	(437,605)	-
Loss & comprehensive loss for the year	\$ (36,593,130)	\$ (625,039)
Basic and diluted loss per common share	\$ (0.47)	\$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	76,352,312	52,888,208

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

GLOBALBLOCK DIGITAL ASSET TRADING LIMITED

(formerly Helix Applications Inc.)

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, 2019	66,043,335	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	-	-	133,630	-	-	133,630
Loss for the year	-	-	-	-	(625,039)	(625,039)
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

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

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

	For the year ended December 31, 2021	For the year ended December 31, 2020
CASH FLOW USED IN OPERATING ACTIVITIES		
Loss for the year	\$ (36,155,525)	\$ (625,039)
Adjusted for:		
Amortization	494,252	-
Share-based payments	557,527	133,630
Transaction costs paid in shares	2,091,000	-
Write-down of assets	150,000	65,286
Impairment of goodwill	30,995,130	-
Deferred income tax recovery	(474,750)	-
Changes in non-cash working capital items:		
Cash – held for client	-	-
Receivables, prepaids & deposits	(480,088)	133,403
Digital assets	(13,439,108)	-
Accounts payable & accrued liabilities	471,752	(16,278)
Client deposits liability	12,171,726	-
Net cash used in operating activities	<u>(3,618,084)</u>	<u>(308,998)</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	(343,637)	-
Cash acquired on acquisition of GB UK	1,182,421	-
Purchase of equipment	(62,127)	-
Loan to GlobalBlock UK	(1,332,241)	-
Net cash used in investing activities	<u>(555,584)</u>	<u>-</u>
Effect of exchange rate changes on cash	24,243	-
Change in cash for the period	(1,329,234)	(308,998)
Cash, beginning of period	4,382,171	4,691,169
Cash, end of period	<u>\$ 3,052,937</u>	<u>\$ 4,382,171</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 consolidated financial statements

GLOBALBLOCK DIGITAL ASSET TRADING LIMITED

(formerly Helix Applications Inc)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020 (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, the Company 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 is transitioning its brokerage business to Lithuania (Note 16) but will maintain its office in the UK.

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 year ended December 31, 2021, the Company incurred a net loss of \$36,155,525, including goodwill impairment of \$30,995,130, and had negative cash flows from operations of \$3,618,084. As at December 31, 2021, the Company held unrestricted cash of \$3,052,937 and had working capital of \$4,283,570. 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 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”).

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.

These consolidated financial statements were approved by the Board of Directors on May 30, 2022.

GLOBALBLOCK DIGITAL ASSET TRADING LIMITED
(formerly Helix Applications Inc)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020 (Expressed in Canadian Dollars)

(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:

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.

GLOBALBLOCK DIGITAL ASSET TRADING LIMITED

(formerly Helix Applications Inc)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020 (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.

(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.

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.

(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

GLOBALBLOCK DIGITAL ASSET TRADING LIMITED

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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 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 and 3 years respectively.

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.

As at December 31, 2021, the Company has recorded \$194,455 in internally developed assets related to the development of its mobile application which is expected to be completed in fiscal 2022.

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.

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(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.

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.

(j) *Equipment*

All of the Company's equipment was initially measured at historical cost less amortization and impairment losses, if any. Equipment is amortized over its estimated useful lives as follows:

Computer equipment – straight line basis over 2 years

The assets' residual values, amortization methods and useful lives are reviewed and adjusted if appropriate at each reporting date. An item is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred. Depreciation commences when the asset is available for use.

(k) *Impairment of non-financial assets*

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are 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. If the recoverable

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amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of loss and comprehensive loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of loss and comprehensive loss.

(l) Financial instruments

The Company's financial assets consist of cash, cash held for clients, receivable and deposits. Financial assets are recognized when the entity becomes party to the contractual provisions of the instruments. The Company's financial assets are all classified under the amortized cost category. Financial assets are initially measured at fair value less transaction costs that are directly attributable to the acquisition or issue of financial assets other than financial assets classified as fair value through profit or loss. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The Company's financial assets are subsequently measured at amortized cost and are carried at the amount of cash expected to be received. The Company has no financial assets subsequently measured at fair value.

The Company's financial liabilities consist of accounts payable and accrued liabilities, which are all classified as subsequently measured at amortized costs and client deposits which are classified as fair value through profit or loss. Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the acquisition or issue of financial liabilities other than financial liabilities classified as fair value through profit or loss. After initial recognition, the Company's financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any transaction.

Under IFRS 9, impairment of financial assets is calculated using the expected lifetime credit loss and recorded at the time of initial recognition. There is no significant effect on the carrying value of our financial instruments under IFRS 9 related to this requirement.

(m) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

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Derecognition Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are generally recognized in profit or loss.

(n) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as finance expense.

(o) Income taxes

Income tax expense represents the sum of current income tax expense and deferred income tax expense. Current income tax expense is based on taxable income for the year. Income tax is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current income tax is the expected income tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax assets and liabilities are recognized based on differences in the financial statement carrying amount for assets and liabilities and the associated tax balance.

Deferred income tax liabilities are generally recognized for all taxable temporary differences. Temporary differences are not provided for goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred income tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

Deferred income tax assets are generally recognized for all deductible temporary differences, unused tax credits carried forward and unused tax losses to the extent that it is probable that there will be taxable income against which deductible temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities, when they relate to income taxes levied by the same taxation authority and when the Company intends to settle its current income tax assets and liabilities on a net basis.

The Company operates in a number of tax jurisdictions and is therefore required to estimate its income taxes in each of these jurisdictions in preparing its consolidated financial statements.

(p) Share-based compensation

For stock options granted by the Company, the cost of the service received as consideration is measured based on an estimate of the fair value of the stock option at the date of grant. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option tranche at the date of grant. Share-based compensation is accrued and charged to profit and loss, with a corresponding credit to reserves, on a graded basis

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over the vesting period of each vesting instalment. If and when the stock options are ultimately exercised, the applicable amounts of other equity reserve are transferred to share capital.

(q) *Loss per share*

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting years.

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

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”). GB UK was acquired for its digital asset brokerage business. 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 was \$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	\$ 39,729,000
Fair value of assets and liabilities acquired:	
Cash	1,182,421
Cash – held for clients	1,720,771
Other assets	59,285
Digital assets	16,962,520
Intangible assets	3,392,233
Goodwill	37,324,722
Accounts payable and other current liabilities	(335,195)
Client deposits	(18,405,019)
Deferred tax liability	(840,517)
Loan due to GBDAT	(1,332,241)
	<hr/>
	\$ 39,729,000

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The intangible assets include a value for the Company's customer list and branding and will be amortized over a period of 5 years and 3 years respectively. The resulting goodwill is attributable to the workforce and highly specialized nature of the acquired business and is not deductible for tax purposes.

The revenue recorded for the year ended December 31, 2021 of \$1,473,842 is attributable entirely to GB UK since its acquisition in July 2021. If GB UK had been acquired on March 1, 2021, the total pro forma revenue for the year ended December 31, 2021 would be \$4,019,918 and net loss would be \$35,798,852. Prior to March 1, 2021, GB UK utilized different accounting policies and therefore January and February 2021 are excluded from the pro forma analysis.

5. Digital assets

	Fair value
Bitcoin	\$ 6,994,379
Ethereum	4,620,420
Solana	3,763,397
Ripple	2,666,524
Tether	1,490,285
Quant	795,227
Polkadot	772,950
ATOM	750,813
Luna	757,464
Zilliqa	595,874
Avalanche	563,968
USDC	549,703
Decentraland	394,646
Crypto.com Coin	293,754
Other	1,766,565
Balance, as at December 31, 2021	\$ 26,775,969

6. Intangible asset

	Mobile application	Customer list	Brand	Patents	Total
Balance, December 31, 2020	\$ -	\$ -	\$ -	\$ -	\$ -
Additions – GB UK					
Acquisition (Note 4)	30,164	2,241,379	1,120,690	-	3,392,233
Additions	193,637	-	-	150,000	343,637
Impairment	-	-	-	(150,000)	(150,000)
Foreign currency translation	(29,346)	(1,321)	(343)	-	(31,010)
	194,455	2,240,058	1,120,347	-	3,554,860
Accumulated amortization					
Balance, December 31, 2020	-	-	-	-	-
Additions	-	(372,017)	(111,605)	-	(483,622)
	-	(372,017)	(111,605)	-	(483,622)
Balance, December 31, 2021	\$ 194,455	\$ 1,868,041	\$ 1,008,742	\$ -	\$3,071,238

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. For

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the year ended December 31, 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.

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.

7. Accounts payable and other current liabilities

	December 31, 2021	December 31, 2020
Accounts payable, accrued liabilities & other	\$ 491,550	\$ 71,305
Corporate income tax payable	125,702	-
Wages and salaries payable	261,000	-
Total	\$ 878,252	\$ 71,305

8. Client deposits liability

	Fair value
Bitcoin	\$ 6,808,773
Ethereum	4,609,784
British pounds	4,234,000
Solana	3,759,155
Ripple	2,664,839
US Dollar	912,391
Quant	795,234
Polkadot	772,879
ATOM	744,820
Zilliqa	595,043
Avalanche	560,084
USDC	547,313
Luna	404,879
Decentraland	394,489
Other	2,773,062
Balance, as at December 31, 2021	\$ 30,576,745

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 common shares to the owners of GlobalBlock UK in exchange for 100% of their shares of GlobalBlock UK (Note 4). These common 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	3,330,000	0.832
Exercised	(500,000)	0.12
Expired	(175,000)	0.95
Balance, as at December 31, 2021	4,280,525	\$ 0.81

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As at December 31, 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	500,000	-	\$0.71
Total	4,280,525	1,590,525	

Subsequent to December 31, 2021, 250,000 options were cancelled and 250,000 options were granted with an exercise price of \$0.34 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 \$393,531 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 \$136,226 of share-based payments expense in connection with the vesting of these options.

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 \$25,000 of share-based payments expense in connection with the vesting of these options.

In December 2021, the Company granted 500,000 stock options to employees of the Company, of which 250,000 were forfeited in 2022 prior to vesting. The options are exercisable at \$0.71 and expire December 2, 2026. The fair value of the remaining 250,000 options was \$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 \$2,770 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, which as described above, were recorded at a fair value of \$85,215 using the following Black-Scholes assumptions: volatility of 75%, term of 2 years, expected interest rate of 0.28% and expected dividend yield of 0%.

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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 December 31, 2021	140,000	\$ 1.50

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 year ended December 31, 2021 and 2020:

	2021	2020
Paid to the Company's CEO	\$ 159,108	143,456
Paid to the Company's COO	61,812	-
Paid to a company controlled by the CFO	159,375	7,500
Paid to the Company's former CFO	-	100,000
Paid to the Company's former executive chairman	-	100,000
Paid to key management of GB UK	185,436	-
Paid to non-executive directors	59,250	50,000
Paid to a law firm which has a former director as a partner	69,240	25,895
Rent paid to a company controlled by officers of the Company	98,899	-
Share-based compensation	320,335	147,730

As at December 31, 2021, \$130,779 (2020 - \$66,922) 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 years ended December 31, 2021 and 2020.

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12. Financial instruments and digital asset risk

As at December 31, 2021, the Company's financial instruments consist of cash, cash held for clients, receivables, deposits, accounts payable and accrued liabilities and client deposits liability. At December 31, 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

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. As at December 31, 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.

As of December 31, 2021, 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

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UK. The net monetary position in USD by GB UK as at December 31, 2021 is US\$2,361,142 and a 10% change in the foreign exchange rate would cause a \$300,000 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 December 31, 2021.

(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 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

Certain operations of the Company and its operating subsidiaries, GlobalBlock UK and GlobalBlock Europe, require licenses and permits from various governmental authorities. GlobalBlock UK operated

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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). While this transition occurred on May 25, 2022, GlobalBlock Europe is not a licensed financial services provider and is not supervised by the Bank of Lithuania. GlobalBlock Europe, UAB is 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 the Company 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 the Company (through its operating subsidiaries) will be able to comply with the laws and regulations of each jurisdiction in which it seeks to expand.

13. Impairment of goodwill

The Company recorded a balance of goodwill of \$37,324,722 (2020 - \$nil) consisting of goodwill on the acquisition of its wholly owned subsidiary GB UK acquired in July 2021 (Note 4), which is considered to be a single cash generating unit. Management assesses at the end of each reporting period whether there is any indication from external and internal sources of information, that an asset may be impairment. Management performs its assessment of possible impairment to its goodwill as a single identifiable cash generating unit. During the year ended December 31, 2021 management resolved that impairment indicators exist.

Due to the volatility in the price of cryptocurrencies, including Bitcoin and Ethereum, volatility in client demand, the movement of operations to Lithuania (Note 16), changes in the Company's expected service offerings and macro economic conditions including the increase in inflation and war, impairment analysis was completed on the Company's 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 pre-tax discount rate of 23.3%, resulting in an impairment charge of \$30,995,130.

14. Income taxes

	2021	2020
Net loss for the year	\$ (36,155,525)	\$ (625,039)
Expected income tax (recovery)	(9,707,000)	(166,000)
Change in statutory, foreign tax, foreign exchange and other	2,553,000	68,000
Permanent differences	6,769,000	35,000
Share issue cost	(63,000)	-
Adjustment to prior year provision	(1,194,000)	(313,000)
Change in unrecognized deductible temporary differences	2,116,650	228,000
Total deferred income tax recovery	\$ 474,650	\$ -

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(formerly Helix Applications Inc)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020 (Expressed in Canadian Dollars)

The Company's movement of net deferred tax liability is described below:

	2021	2020
Balance, beginning of the year	\$ -	\$ -
Recognition on acquisition of GB UK (Note 4)	(840,517)	-
Deferred income tax recovery through profit and loss	474,650	-
Balance, end of the year	\$ (363,837)	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included in the Company's statement of financial position are described below:

	2021	<i>Expiry date</i>	2020	<i>Expiry dates</i>
Equipment	\$ 87,000	No expiry date	\$ 892,000	No expiry date
Share issue costs	311,000	2040 to 2044	241,000	2041-2042
Capital losses	4,249,000	No expiry date	3,897,000	No expiry date
Non-capital losses – Canada	15,523,000	2023 to 2041	8,994,000	2030 – 2040

15. Segmented information

The Company operates in one segment, being digital asset brokerage services. Revenue for the year ended December 31, 2021 is generated in the United Kingdom where the company provided its brokerage services. The Company's non-current tangible assets consist of equipment with a balance of \$61,079 as at December 31, 2021 and are located in the United Kingdom.

16. Subsequent events

Subsequent to December 31, 2021, 250,000 options were cancelled and 250,000 options were granted with an exercise price of \$0.34 and a term of five years (Note 9).

In March 2022, the Company announced the incorporation of GlobalBlock Europe UAB ("GlobalBlock Europe") 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 registration process in the UK and completed its transition 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.