



## INTRODUCTION

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Midpoint Holdings Ltd. (or the Company) constitutes management's review of the factors that affected the Company's financial and operating performance for the three months and year ended June 30, 2017. This MD&A was written to comply with the requirements of National Instrument 51-102 – *Continuous Disclosure Obligations*. This discussion should be read in conjunction with the audited consolidated financial statements of the Company for the year ended June 30, 2017 together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's consolidated financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Information contained herein is presented as of June 30, 2017, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the board of directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the common shares of the Company; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the board of directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations is available at the Company's offices or on SEDAR at [www.sedar.com](http://www.sedar.com).

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the Company's ability to protect its proprietary technology; the Company's ability to meet its working capital needs at the current level for the year ending June 30, 2017; the plans, costs, timing and capital for future development of the Company's assets, including the costs and potential impact of complying with existing and proposed laws and regulations; management's outlook regarding future trends; sensitivity analysis on financial instruments, which may vary from amounts disclosed; and general business and economic conditions.



Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. These risks, uncertainties and other factors include, but are not limited to, changes in debt and equity markets, timing and availability of external financing on acceptable terms, increases in costs, interest rate and exchange rate fluctuations, as well as those risk factors listed in the "Risk Factors" section below. Readers are cautioned that the foregoing list is not exhaustive of the factors that may affect the forward-looking statements. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions that may prove to be incorrect, including, but not limited to, assumptions about the following: the availability of financing for the Company's development of its assets; operating costs; the Company's ability to retain and attract skilled staff; timing of the receipt of regulatory and governmental approvals for operations; market competition; and general business and economic conditions.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

## HIGHLIGHTS

For three months ended June 30, 2017 revenue increased 33% Quarter on Quarter to \$ 118,238 with the following business highlights:

- Record quarterly revenue and number of transactions
- Average transaction size of approximately \$38,000 which have remained relatively constant
- The Company incorporated a subsidiary corporation for future operation in Hong Kong and is currently obtaining authorization with the local regulator in this jurisdiction.
- Introduced private medical healthcare insurance and other fringe benefits for operational and engineering staff

For year ended June 30, 2017 revenue increased to \$371,677

- Gross margin increased from 26% to 67%
- Basic and Diluted Loss per share decreased from \$0.018 to \$ 0.006
- Registered and authorized clients from 53 countries
- Brought software development and engineering inhouse

As of this writing, approximately \$ 260 million has been matched on the Midpoint platform since inception in 2013 and over \$100 million was matched in the last 12 months. The Company has recently migrated to a new enterprise grade platform after nine-months of intensive planning and development. The new proprietary platform delivers enhanced features and benefits to Midpoint clients as well as significant improvement in the Company's operational efficiency.



## BUSINESS OVERVIEW

Midpoint is the originator of the peer to peer (“P2P”) foreign exchange (“FX”) business concept. It creates a central marketplace where buyers and sellers of foreign currency can match their offsetting needs and it matches those counterparties at the midpoint of the relevant currency pair interbank rate for a fee. Midpoint subscribes to an independent third party real-time market data feed which it uses to ascertain the mid-point each time a match is found. This ensures that both buyer and seller get the fairest rate possible at the moment in time that they are matched. It also ensures that the process is totally transparent and auditable. The P2P business model eliminates the bid-offer spread and other, often excessive, service fees that are normally incurred by the client when using other traditional competitors.

Interest in the P2P space is growing across a wide range of financial instruments including the FX space but Midpoint differentiates itself from competitors in several ways.

First, it bifurcates the international exchange of obligations from the payment settlement component (clearing house). Midpoint provides both the regulated marketplace and the software to match multiple buyers and sellers across multiple currencies via its patented netting engine.

Second, Midpoint holds US patent 7,194,481 in 2007 - a computerized business method patent which allows buyers and sellers to be efficiently matched. Authorized users place an order for their currency requirements on the system which then identifies matching trade(s) which are priced and settled at the mid-point of the interbank rate. The system is able to identify complex chains of multi-party, multi-currency matches enabling Midpoint to offset multiple counterparties transacting in multiple currencies, thereby dramatically increasing the efficiency of the matching process. The patent is valid until March 2020.

This proprietary, disruptive and highly scalable intellectual property allows Midpoint to not only support its direct web portal “organic” business, but also to white-label and license its disruptive platform into larger B2B flows.

Third, the business method also eliminates the risk management costs associated with Midpoint warehousing any currency or taking a principal position thereby facilitating even greater spread compression than its competitors can offer.

Finally, users of the Midpoint service take no counterparty credit risk on Midpoint, nor are they required to pre-fund an order (unlike with competitive offerings). Once a match is found, a user receives an instruction to remit their contracted funds to a client segregated account at one of the many money centre banks in the correspondent bank network used by Earthport plc, Midpoint’s independent but integrated payment service provider (clearing house), which is itself listed on the London Stock Exchange – Alternative Investment Market (AIM). Actuarial models conducted as part of the business planning process on randomly generated transaction amounts in a six currency operation; show that the most common match is a three way match. At scale, the effect of this is to dramatically lower the amount of additional liquidity costs required and therefore speaks to the unique value proposition that Midpoint offers its investors.

The FX market is the largest, most liquid market in the world. It is also highly fragmented due to its international nature. Therefore, while regulators in many jurisdictions are increasingly pushing for financial instruments to be exchange cleared in order to provide transparency to clients, FX has managed to stay largely exempt. However, as regulators increasingly look for alternatives for transparent pricing and clearing, Midpoint’s transparent central marketplace model should be well positioned.



The Company is a reporting issuer under applicable securities legislation in the provinces of Alberta, British Columbia and Ontario and its outstanding shares are listed on the TSX-V under the symbol “MPT” and cross-listed on the Frankfurt Stock Exchange under the symbol 8MH.

## STRATEGY AND OUTLOOK

The Company’s business objective is to continue to build sales across multiple markets and jurisdictions while continuing to offer exceptional customer service and improving the platform for customers. The online and largely virtual nature of the Company allows the business to be driven through multiple channels thereby amortizing its operational costs as it scales.

There are five different economic models that Midpoint is currently seeking to exploit: (1) organic (2) referrals; (3) co-branded white-label solution; (4) a pure white-label solution; and (5) licensing.

The Company continues to work on its application program interface (“API”) development. This is one of the strategies that will enable the Company to deliver a white labelled multi-party netting FX exchange solution to large corporations as well as to direct access referrals. This development will also be used in the development of mobile applications. The Company has completed an API integration with XERO cloud accounting services. XERO currently has over 800,000 installs worldwide and is growing rapidly.

The Company is also working on a partnership with a loyalty program with one of the largest aviation groups and a number of major airlines to offer Midpoint’s services to their frequent fliers.

Finally, the Company continues to work on multi-currency prepaid debit cards which will expand the universe of possible clients. The cards would allow users to fund in and transfer between currencies on their card at the Midpoint rate, unlike with other competitive travel cards in the market. The Company has identified program managers and issuer’s banks that have expressed interest in working with it on this initiative.

The Company continues to maintain a five-star rating on Trust Pilot, an independent rating platform and continues to accumulate good customer testimonials and referrals.

The offering is proving increasingly sticky with customers. The number of repeat users has grown from just over 50% at the end of the first year to over 80% at the time of this discussion.

### Operations

A significant effort continues to be deployed into the ongoing technical development of the Company’s website and administrative platform. The customer registration and on-boarding has been re-developed and streamlined to include auto authorization to allow for great scalability whilst remaining compliant.

The Company currently offers 22 currencies and plans to introduce new currencies over time. The Company continues to invest in R&D to develop an enterprise grade solution.

The Company no longer primarily relies on outsourced software development and has brought software development and engineering inhouse. After nine-months of intensive planning and development, the Company has completely rebuilt the Midpoint platform. The new platform will provide a far greater level of scalability and introduces:



- Full treasury system with multi-currency e-Wallets
- Mass pay-out functionality
- Multiple users for both personal and business accounts
- Improved beneficiary management
- Multiple beneficiary payments from a single FX conversion
- Multiple FX conversions consolidated into a single currency beneficiary payment
- Integration with Xero cloud accounting software
- Real-time fees and indicative rates calculator

The Company has also moved towards a continuous delivery model with rapid software release cycles and continues to focus on leveraging both patented technology and the existing platform in developing the new products outlined in the section above.

### **Regulatory Compliance**

The Company is regulated by the Financial Conduct Authority in the UK as a Payments Institution. Regulation is an extremely important part of the Company's activities. In addition to its work with the regulators, the Company periodically reviews its internal processes and procedures in the area of Know Your Client (KYC) and Anti Money Laundering (AML). The Company recognizes the importance of regulatory compliance and is fully committed to continuously monitoring developments within the industry to ensure its ongoing compliance. These standards and practices require constant attention as regulators around the world increase the requirements and demands on payment institutions.

The Company has also incorporated a dedicated Canadian operating subsidiary in anticipation of launching a second office. This entity has been registered with Fintrac, the Canadian regulator as a Money Service Business allowing it to potentially offer a new business model for its Canadian clients.

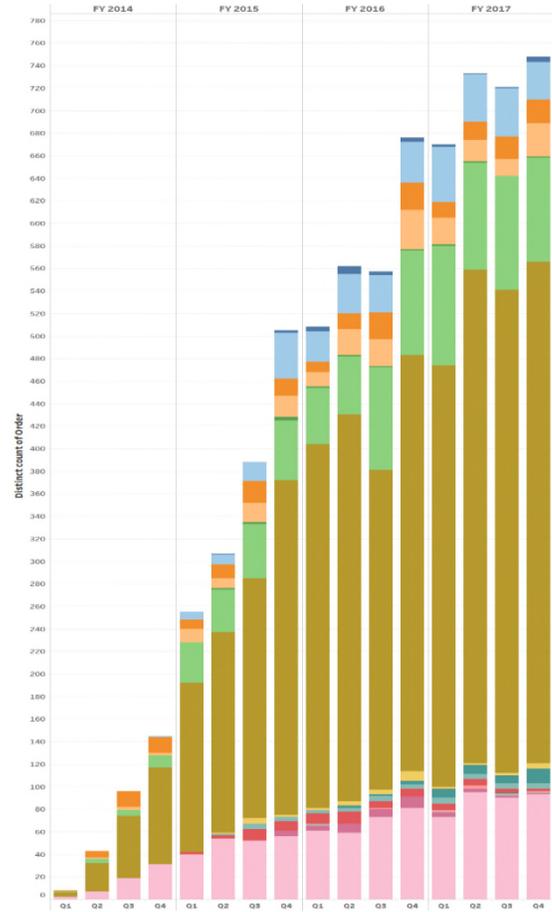
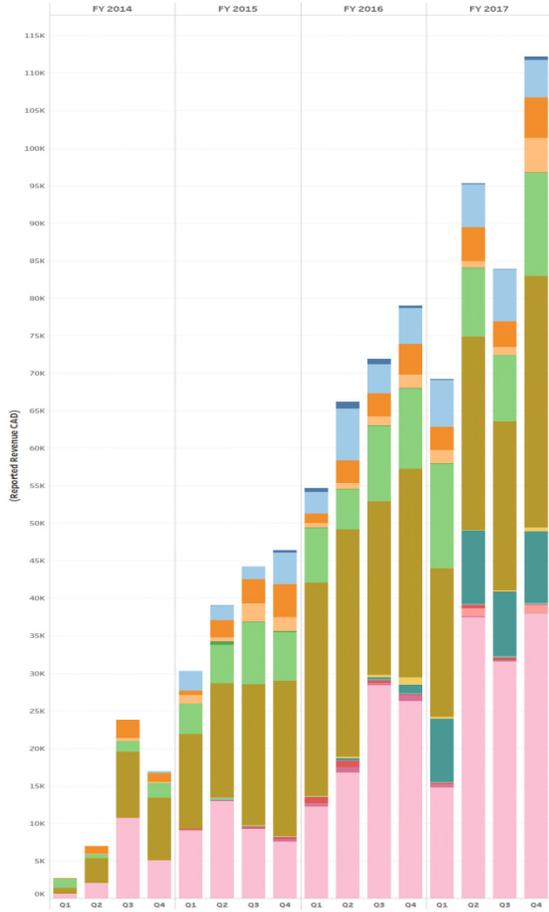
The Company has incorporated a wholly-owned subsidiary in Hong Kong, Special Administrative Region (SAR), China. Midpoint Hong Kong Ltd is in the process of getting regulatory approval. It is envisaged that Midpoint will be successful in its application and thus obtain regulatory cover in Canada, United Kingdom and Hong Kong (China) with a footprint in North America, Europe and Asia.

### **Sales & Marketing**

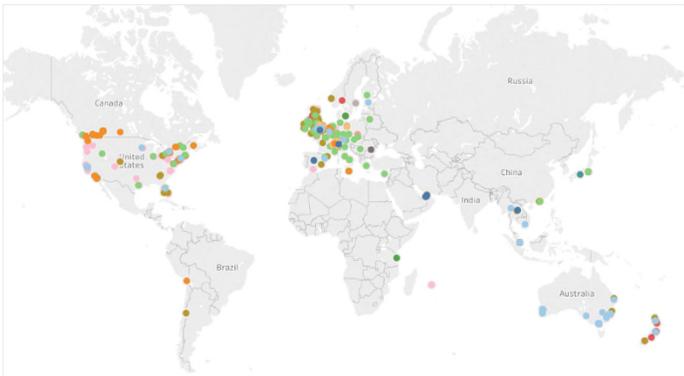
The target client base for the business includes both Small and Medium sized Enterprises (SME's) and individuals. These are the two client segments that traditionally find it difficult to access competitive foreign exchange services. Midpoint targets industry sectors which engage in frequent foreign exchange transactions, including leisure & tourism, accountancy practices & IFAs, software & tech companies, foreign home owners, migrant workers and expats.



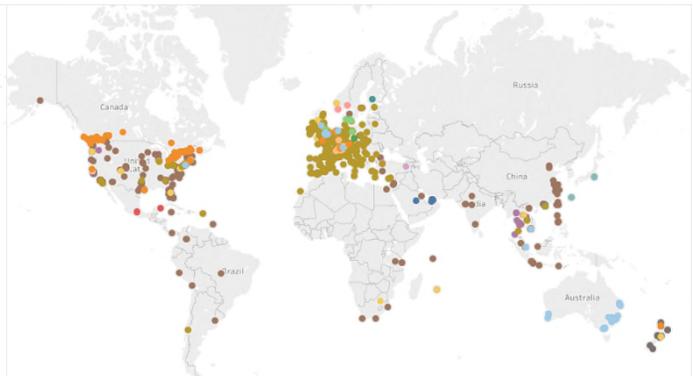
FINANCIAL PERFORMANCE



- Funding CCY
- AED
  - AUD
  - CAD
  - CHF
  - DKK
  - EUR
  - GBP
  - HKD
  - JPY
  - NOK
  - NZD
  - PLN
  - RON
  - SEK
  - SGD
  - USD



Clients from over 50 countries



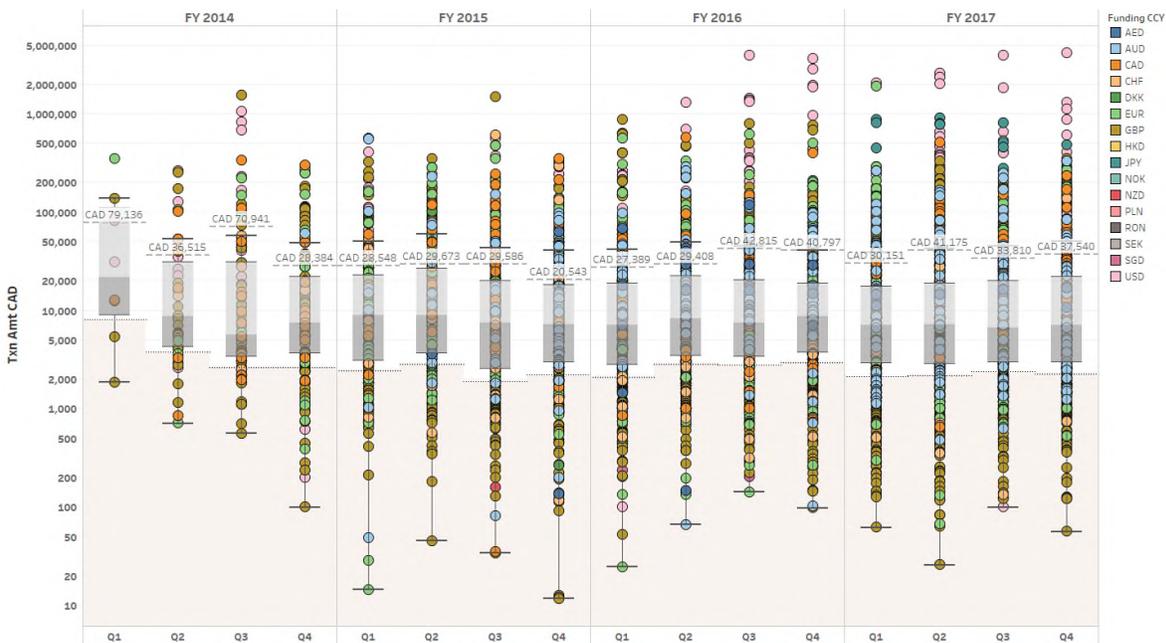
Payout to over 80 countries

## MIDPOINT HOLDINGS LTD.

MANAGEMENT DISCUSSION & ANALYSIS  
FOR THE THREE MONTHS AND YEAR ENDED JUNE 30, 2017  
DISCUSSION DATED: OCTOBER 30, 2017



80% of transactions on the Midpoint platform are for values over \$3,000 with a mean transaction size of \$38,000 during the three months ended June 30, 2017. The largest transaction on the Midpoint platform is for approximately \$4 million.



During the three months and year ended June 30, 2017, the Company expensed \$285,456 and \$679,515 (three months and year ended June 30, 2016 - \$340,559 and \$1,233,253).

At June 30, 2017 the Company had working capital of \$497,627 (June 30, 2016 \$200,328). The Company had cash and cash equivalents of \$814,999 at June 30, 2017 (June 30, 2016 \$411,370).

During this period the Company was trading on the website and incurring expenses which were financed with available cash. As a result, the working capital and cash and cash equivalents were reduced by operating activities but this decrease was offset by the private placement financings during the year.

To date, the Company has invested in a foreign subsidiary. The Company receives no income from that investment currently. The Company's current strategy is to scale its business in new currencies, geographies and industry silos. The Company maintains direct ownership of the patents and IT platform. All licensing agreements with the current subsidiary and future subsidiaries will be directly with the Company creating a revenue stream in the future. Dividends from the subsidiaries will also create revenues for the Company in the future. Risks related to operating in the financial services industry largely revolve around increased regulation and compliance legislation and associated costs.



## HISTORY OF THE COMPANY

The Company was incorporated under the *Business Corporation Act* (British Columbia) on April 15, 2010 and was classified as a Capital Pool Company (“CPC”) as defined in Policy 2.4 of the TSX Venture Exchange (“TSX-V”) Corporate Finance Manual. The principal business of the Company was to identify and evaluate companies, assets or businesses with a view to completing a Qualifying Transaction (as defined in Policy 2.4). The common shares of the Company were initially listed on the TSX-V with the trading symbol “JRL.P”.

On April 11, 2013 the Company completed its Qualifying Transaction (the “Transaction”) with BuyFX Ltd. (“BuyFX”) and concurrent financing whereby the Company acquired all of the issued and outstanding securities of BuyFX in exchange for the issuance of securities of the Company. For accounting purposes, this share exchange is treated as a reverse takeover (“RTO”) with BuyFX being the accounting acquirer.

BuyFX was a private company incorporated pursuant to the laws of Bermuda. Until its acquisition pursuant to the Transaction, BuyFX operated a peer-to-peer foreign exchange matching platform through its wholly-owned UK subsidiary, Midpoint & Transfer Ltd. (“Midpoint”). The platform allows any registered and authorized individuals or companies to conduct foreign exchange transactions for a transparent fee at the interbank midpoint or mid-market rate. On December 9, 2013 BuyFX made and received application to discontinue in Bermuda and continued to the Province of British Columbia. On May 20, 2014 BuyFX and the Company amalgamated to form one company as Midpoint Holdings Ltd.

Midpoint was registered in London, UK with the Financial Services Authority (“FSA”) and subsequent to March 2013 with the Financial Conduct Authority (“FCA”), the regulatory successor to the FSA, and Her Majesty’s Revenue and Customs (“HMRC”), the regulatory bodies for payment services in the UK. Midpoint currently offers its service in 22 currencies with over 80 payout countries available. Midpoint’s operations and technology platforms have been designed and built to scale as volumes grow and further currencies are added. The initial currencies are used in the majority of global trade transactions.

Midpoint completed its first trade in July 2012 prior to the RTO. Since becoming public via the RTO in April of 2013, the Company continues to invest in its intellectual property as well as enhancing the usability and functionality of its website [www.midpoint.com](http://www.midpoint.com).

## SELECTED FINANCIAL INFORMATION

The following is selected financial data derived from the unaudited quarterly consolidated financial statements of the Company for the three months ended June 30, 2017 and 2016. Note that all financial data for 2017 and 2016 are stated in Canadian dollars.

**MIDPOINT HOLDINGS LTD.**

MANAGEMENT DISCUSSION & ANALYSIS  
FOR THE THREE MONTHS AND YEAR ENDED JUNE 30, 2017  
DISCUSSION DATED: OCTOBER 30, 2017



|  | Three months June 30, 2017 (\$CAD) | Three months June 30, 2016 (\$CAD) | Year ending June 30, 2017 (\$CAD) | Year ending June 30, 2016(\$CAD) |
|--|------------------------------------|------------------------------------|-----------------------------------|----------------------------------|
| Total revenues                               | \$118,239                          | \$75,191                           | \$371,677                         | \$270,051                        |
| Total Income (loss)                          | \$(240,499)                        | \$(415,785)                        | \$(429,883)                       | \$(1,161,826)                    |
| Net income/(loss) income per share – basic   | \$(0.0028)                         | \$(0.0060)                         | \$(0.0056)                        | \$(0.0183)                       |
| Net income/(loss) income per share – diluted | \$(0.0028)                         | \$(0.0060)                         | \$(0.0056)                        | \$(0.0183)                       |
| Total assets                                 | \$1,230,361                        | \$1,063,359                        | \$1,230,361                       | \$1,063,359                      |

- The net loss for the year ended June 30, 2017, consisted primarily of professional fees, wages, depreciation, and settlement accretion expenses.
- The net loss for the year ended June 30, 2016 consisted primarily of professional fees, administration, marketing, wages, settlement and accretion settlement expenses.

The following table sets forth selected financial information for the Company's eight most recent quarters ending with the last quarter for the three months ending June 30, 2017.

|                                       | Three months ended June 30, 2017 (\$CAD) | Three months ended Mar 31, 2017 (\$CAD) | Three months ended Dec 31, 2016 (\$CAD) | Three months ended Sept 30, 2016 (\$CAD) | Three months ended June 30, 2016 (\$CAD) | Three months ended Mar 31, 2016 (\$CAD) | Three months ended Dec 31, 2015 (\$CAD) | Three months ended Sept 30, 2015 (\$CAD) |
|---------------------------------------|--|---|---|--|--|---|---|--|
| Total revenues                        | \$118,238                                | \$89,023                                | \$91,566                                | \$72,850                                 | \$75,191                                 | \$71,549                                | \$66,243                                | \$57,068                                 |
| Total Income (loss)                   | \$(240,499)                              | \$(36,453)                              | \$25,215                                | \$(178,146)                              | \$(415,786)                              | \$(153,956)                             | \$(264,309)                             | \$(327,776)                              |
| Net income/(loss) per share – basic   | \$(0.0028)                               | \$(0.0004)                              | \$0.0001                                | \$(0.002)                                | \$(0.006)                                | \$(0.002)                               | \$(0.004)                               | \$(0.005)                                |
| Net income/(loss) per share – diluted | \$(0.0025)                               | \$(0.0004)                              | \$0.0001                                | \$(0.002)                                | \$(0.006)                                | \$(0.002)                               | \$(0.004)                               | \$(0.005)                                |
| Total assets                          | \$1,230,361                              | \$1,188,770                             | \$916,785                               | \$1,066,754                              | \$1,063,359                              | \$979,357                               | \$955,641                               | \$750,672                                |



## SUMMARY OF QUARTERLY RESULTS

|                   | Total Assets<br>\$CAD | Profit or Loss<br>\$CAD  | Basic & Diluted Earnings<br>(Loss) Per Share \$CAD |
|-------------------|-----------------------|--------------------------|--|
| 2017-June 30      | 1,230,361             | (240,499) <sup>(1)</sup> | (0.0028)   |
| 2017-March 31     | 1,188,770             | (36,453) <sup>(2)</sup>  | (0.0004)   |
| 2016-December 31  | 916,785               | 25,215 <sup>(3)</sup>    | 0.0001   |
| 2016-September 30 | 1,066,754             | (178,146) <sup>(4)</sup> | (0.002)  |

## Notes:

- (1) Net loss of \$240,499 consisted of primarily from increase in professional fees, accretion expense. Both marketing and wage expenses were increased to drive and aid with the increased volume of transactions.
- (2) Net loss of \$36,453 consisted of primarily from increase in general administrative expenses and professional & consulting fees related to the private placement during the quarter. Wage expenses were increased to aid with the increased volume of transactions while the company was able to improving margins in the quarter.
- (3) Net income of \$25,215 consisted of primarily from increase in revenue while reducing direct transaction cost improving margins. In addition the company has reduced the professional fees, administration, marketing, wages and settlement expenses.
- (4) Net loss of \$178,146 consisted primarily of professional fees, administration, marketing, wages and settlement expenses.

## DISCUSSION OF OPERATIONS

**Three Months Ended and Year Ended June 30, 2017 compared with Three Months and Year Ended June 30, 2017.**

The Company's net loss totalled \$240,499 for the three months ended June 30, 2017, with basic and diluted loss per share of \$0.0028. This compares with a total net loss of \$415,785 with basic and diluted loss per share of \$0.0065 for the three months ended June 30, 2016. The loss for the year ended June 30, 2017 was \$429,883 while it was \$1,161,826 for the year ended June 30, 2016, a decrease of \$731,943 in net loss principally due to an increase in revenue and gross margin combined with a reduction in professional and consulting fees, wages, marketing, and settlement expense.

## LIQUIDITY AND FINANCIAL POSITION

The activities of the Company were financed through equity transactions such as equity offerings. There is no assurance that future equity capital will be available to the Company in the amounts or at the times desired or on terms that are acceptable to the Company, if at all. See "Risk Factors" below.

Current liabilities decreased to \$339,805 at June 30, 2017, compared to \$436,184 at June 30, 2016; this was due to payment of trade payables offset by the accrual for the current portion of the settlement payable. The Company's cash and cash equivalents at June 30, 2017, are sufficient to pay these liabilities.



As of June 30, 2017, the Company had 85,689,859 common shares issued and 1,820,000 options were granted on March 17, 2014, with an expiry date of March 17, 2019, with an exercise price of \$0.20. In addition, 1,443,339 warrants exercisable at \$0.20 were issued October 28, 2015, 2,403,800 warrants exercisable at \$0.20 were issued March 31, 2016, 635,000 warrants exercisable at \$0.20 were issued May 12, 2016, 1,884,500 warrants exercisable at \$0.20 were issued July 8, 2016, 615,500 warrants exercisable at \$0.20 were issued July 19, 2016, 3,250,000 warrants exercisable at \$0.20 were issued March 31, 2017 and 1,520,000 warrants exercisable at \$0.20 were issued June 30, 2017. All warrants expire twenty-four months after issuance.

The Company's operating subsidiary has revenues from sales but must utilize its current cash reserves, funds obtained from the exercise of stock options and other financing transactions to maintain its capacity to meet ongoing operating activities. Given that the Company has sufficient funds on hand to meet its current anticipated expenditures, it only anticipates raising additional funds opportunistically. See "Risk Factors" below.

Cash used in operating activities was \$165,224 for the year ended June 30, 2017. Operating activities were affected by a net decrease in non-cash working capital balances of \$82,179 because of a decrease in accounts receivable of \$212,709 and a increase in accounts payable and settlement payable of \$130,530.

Cash used in operating activities was \$1,042,825 for the year ended June 30, 2016. Operating activities were affected by a net decrease in non-cash working capital balances of \$152,545 because of an increase in accounts receivable of \$248,506 and increase in accounts payable of \$95,961.

To date, the cash resources of the Company are held with one major Canadian and UK chartered bank. The Company has no debt and its credit and interest rate risk is minimal. Accounts payable and accrued liabilities are short term and non-interest bearing.

The Company's use of cash at present occurs, and in the future will occur, principally in two areas, namely, funding of its wages and marketing to drive and manage its growth in revenue. Over the past year, the Company's normal operating expenses net of depreciation have averaged about \$46,537 per month of this \$21,483 per month was related to professional fees.

The Company had working capital of \$497,627 as of June 30, 2017.

The ability of the Company to obtain necessary financing to market its platform, and fund on-going sales and administrative expenses is uncertain. The ability of the Company to generate sales revenue to offset the expenses and maintain profitability is uncertain. These material uncertainties cast significant doubt on the Company's ability to continue as a going concern. The Company will require additional financing from time to time, which it intends to obtain through the issue of common shares. While the Company has been successful in raising equity financing through the issuances of common shares in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms.

## MANAGEMENT OF CAPITAL

The Company manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives; and



- To maximize shareholder return.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets.

The capital structure is reviewed by management and the board of directors on an ongoing basis. The Company considers its capital to be equity, comprising share capital, warrant and option reserves, contributed surplus, accumulated other comprehensive loss and deficit which at June 30, 2017, totaled \$740,516 and as of June 30, 2016, totaled \$424,607.

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its operating activities. Selected information is provided to the board of directors. The Company's capital management objectives, policies and processes have remained unchanged during the year ended June 30, 2017.

The Company is not subject to any capital requirements imposed by a lending institution or any other external capital requirements. The UK operating subsidiary ("MPNT") is subject to FCA regulatory capital adequacy requirements under which it is required to maintain a share capital balance in excess of accumulated deficit plus 10% of fixed operating costs from the previous year. The Company currently meets this requirement.

## SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares. As of the date of this MD&A, the Company had 103,606,642 common shares outstanding and 10,308,800 warrants.

As of the date of this MD&A, the following stock options were outstanding:

| Options   | Expiry Date    | Exercise Price |
|-----------|----------------|----------------|
| 1,820,000 | March 17, 2019 | \$0.20         |

## RISK FACTORS

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Only investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment should undertake such investment. Prospective investors should carefully consider the risk factors described below.

### **Credit Risk, Foreign Exchange Risk, Liquidity Risk, Cybersecurity Risk**

Financial instruments that could expose the Company to credit risk are primarily cash and cash equivalents and accounts receivable. The Company has deposited its cash in financial institutions with good reputations, and management considers the risk of losses to be negligible.



The Company is exposed to currency risk. To date, funds have been raised in Canadian currency (CAD) while expenses are largely in British Pounds (GBP) in the UK operating subsidiary. The Company continues to operate primarily in CAD at the holding level. However, the Company is exposed to foreign exchange risk on a portion of its accounts payable and accrued liabilities and its GBP bank account. Management is actively hedging a portion of that exposure to mitigate this.

The Company is exposed to liquidity risk. Liquidity risk is the exposure of the Company to the risk of not being able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's future liquidity is dependent on factors such as the ability to generate cash from operations and to raise money through debt or equity financing. The Company had cash and cash equivalents of \$814,999 as at June 30, 2017 and \$411,370 as at June 30, 2016 to satisfy current liabilities of \$339,805 as at June 30, 2017 and \$436,184 as at June 30, 2016.

The Company is exposed to cybersecurity risks of hacking and data breaches, although the risk is mitigated as it does not hold client funds directly. Nonetheless, the new management team has obtained cyber insurance cover.

### **Competition**

The Company is competing in the online payments markets based in part on the Company's ability to execute its customers' orders at competitive prices, to retain its existing customers and to attract new customers. The Company's competitors range from small venture backed enterprises with limited resources to multi-national banks with larger customer bases, more established name recognition and substantially greater financial, marketing, technological and personnel resources than the Company has. The larger and better capitalized competitors, including commercial and investment banking firms, may have access to capital in greater amounts and at lower costs than the Company will have, and thus, may be better able to respond to changes in the payments industry, to compete for skilled professionals, to finance acquisitions, to fund internal growth and to compete for market share generally. The Company may not be able to compete effectively against these firms, particularly those with greater financial resources, and the Company's failure to do so could materially and adversely affect the Company's business, financial condition and results of operations and cash flows.

### **Management**

The success of the Company is currently largely dependent on the performance of its management. Shareholders will be relying on the good faith, experience and judgment of the Company's management and advisers in supervising and providing for the effective management of the Company's business. The loss of the services of these persons could have a materially adverse effect on the Company's business and prospects. There is no assurance the Company can maintain the services of its management or other qualified personnel required to operate its business. Failure to do so could have a materially adverse effect on the Company and its prospects.

The Company has not purchased "key-man" insurance, nor has it entered into non-competition and non-disclosure agreements with management and has no current plans to do so.

### **OFF-BALANCE SHEET ARRANGEMENTS, COMMITMENTS, AND CONTINGENCIES**

As of the date of this MD&A, the Company has not engaged in any off-balance sheet arrangements, such as obligations under guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity, any obligation under derivative instruments, or any obligation under a material variable interest in an unconsolidated entity that provides



financing, liquidity, market risk or credit risk support to the Company or engages in leasing or hedging services with the Company. The Company has no commitments or contingencies.

## PROPOSED TRANSACTIONS

As of the date of this Discussion and Analysis, there is no firm offer that may result in a material transaction being considered by the Company. The Company continues to evaluate offers and assets that it may acquire in the future.

## RELATED PARTY TRANSACTIONS

Related parties include the board of directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties).

(a) The Company entered into the following transactions with related parties:

|  | Year-ended<br>June 30, 2017 | Year-ended<br>June 30, 2016 |
|--|-----------------------------|-----------------------------|
| C. Comishin & Associates Inc. <sup>(1)</sup>       | \$20,000                    | \$35,169                    |
| Mike Hampson (Bishopgate Financial) <sup>(2)</sup> | \$6,726                     | \$31,016                    |
| <b>Total for year</b>                              | <b>\$26,726</b>             | <b>\$66,185</b>             |

(1) For the year ended June 30, 2017, the Company expensed a total of \$20,000 (year ended June 30, 2016 \$35,169) to C. Comishin & Associates Inc. to provide accounting services to the Company. Corbin Comishin is an unpaid director of the Company and an owner of C. Comishin & Associates Inc.

(2) For the year ended June 30, 2017, the company expensed a total of \$6,726 (year ended June 30, 2016 \$31,016) to Bishopgate Financial for the rental of office space. Mike Hampson is an unpaid director of the Company and a partner in Bishopgate Financial.

(b) Remuneration of directors and key management of the Company was as follows:

| Salaries and benefits      | Year-ended<br>June 30, 2017 | Year-ended<br>June 30, 2016 |
|----------------------------|-----------------------------|-----------------------------|
| John Booth                 | n/a                         | \$31,821                    |
| David Wong, Chairman & CEO | \$nil                       | \$nil                       |
| Corbin Comishin, CFO       | \$nil                       | \$nil                       |
| Brad Lemkus                | \$26,500                    | \$92,813                    |
| <b>Total for the year</b>  | <b>\$26,500</b>             | <b>\$124,634</b>            |

No share-based payments have been made to the directors or key management for this quarter.

(c) Settlement provision of directors and key management of the Company was as follows:



On November 23, 2015 the CEO resigned from his duties with the Company. The Company has entered into an agreement to pay GBP \$18,500 on signing (paid) and an additional CAD\$500,000 to the former CEO. The timing of the remaining settlement payments are based on the Company's future capital or debt raises; a minimum of 10% of all amounts to be raised in capital or debt are designated to pay the requirements of the severance until the amount is extinguished. After a financing is completed, interest of 8% per annum will accrue on the payable portion.

The Company has applied a discount factor of 18% to the \$500,000 payable as at November 23, 2015 and has assumed a repayment of \$100,000 per year (implying an assumption of \$1,000,000 per year in financing). An initial discount of \$187,500 was recognized based on these assumptions and will be accreted through the statement of operations until the liability is ultimately extinguished. The Company recognized \$61,623 for the year ended June 30, 2017 (2016 - 35,590) in accretion costs during the year in relation to this item. In total 97,213 of accretion expenses have been reported as expenses of the company related to the initial 187,500 discount resulting in 90,287 to be reported still in the future as an expense of the company.

As a result of the March 31, 2016, May 12, 2016, July 8, 2016, July 19, 2016, December 29, 2016, March 31, 2017, June 30, 2017 and July 14, 2017 financings, which raised gross proceeds of \$1,462,760, the Company has paid \$146,276 of the \$500,000 settlement provision accrued to the liabilities of the Company. At the date of this MD&A the most recent financing raised gross proceeds of \$1,200,000 the Company current owes the former CEO \$120,000 once paid will leave a balance of 233,724 outstanding.

## SUBSEQUENT EVENTS

On September 15, 2017, the Company held its Annual General Meeting, the shareholders voted to elect David Wong, Corbin Comishin, Ron Geffner, Michael Hampson, and Dan Drogman as directors of the Company for the ensuing year. In addition, at the AGM the shareholders also approved the re-appointment of MNP LLP, as the Company's auditors, and authorized the directors to fix the auditors' remuneration, together with the continuation of the Company's current Share Option Plan.

On October 20, 2017, the Company was served with a notice of civil claim from John Booth, a former CEO and director of the Company. At the Company's annual general meeting held on September 15, 2017, Mr. Booth was not elected a director of the Company. In the civil claim, Mr. Booth alleges that he was improperly removed as a director at the AGM. Mr. Booth has made a claim for damages and has asked for an order of specific performance of the terms of a severance agreement, dated November 24, 2015, Mr. Booth signed with the Company; the effect of which would be to order that Mr. Booth be deemed one of the management nominees elected to the board of directors. The board of directors is the process of retaining counsel to provide the Company with recommendations in response to the civil claim which the Company believes is without merit and which the Company plans to aggressively defend.

On October 26, 2017, the Company completed a private placement for a total of 16,000,000 shares at a price of \$0.075 per share for total proceeds of \$1,200,000. No warrants were issued with this placement. 956,783 additional shares were issued as a finder fee related to this private placement at the same \$0.075 per unit.

**MIDPOINT HOLDINGS LTD.**

MANAGEMENT DISCUSSION & ANALYSIS  
 FOR THE THREE MONTHS AND YEAR ENDED JUNE 30, 2017  
 DISCUSSION DATED: OCTOBER 30, 2017

**ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS**

| <b>General and Administrative Expenses</b> | <b>Three months ended June 30, 2017</b> | <b>Three months ended June 30, 2016</b> | <b>Year ended June 30, 2017</b> | <b>Year ended June 30, 2016</b> |
|--|---|---|---------------------------------|---------------------------------|
| Office, foreign exchange and general       | \$(64,786)                              | \$(51,656)                              | \$(38,065)                      | \$(136,491)                     |
| Salaries and benefits                      | \$103,645                               | \$(20,650)                              | \$193,340                       | \$265,240                       |
| Settlement                                 | \$nil                                   | \$251,742                               | \$nil                           | \$352,464                       |
| Filing and transfer fees                   | \$16,752                                | \$16,655                                | \$42,131                        | \$34,559                        |
| Professional and consulting fees           | \$105,682                               | \$188,745                               | \$257,804                       | \$423,058                       |
| Marketing                                  | \$25,984                                | \$6,218                                 | \$41,825                        | \$126,780                       |
| Website operating costs                    | \$nil                                   | \$18,002                                | \$nil                           | \$18,002                        |
| Accretion                                  | \$61,623                                | \$35,590                                | \$61,623                        | \$35,590                        |
| Share based compensation                   | \$nil                                   | \$nil                                   | \$nil                           | \$nil                           |
| <b>Total</b>                               | <b>\$248,900</b>                        | <b>\$290,622</b>                        | <b>\$558,658</b>                | <b>\$1,119,202</b>              |

| <b>Research and Development Costs<sup>[1]</sup></b> | <b>Three months ended June 30, 2017</b> | <b>Three months ended June 30, 2016</b> | <b>Year ended June 30, 2017</b> | <b>Year ended June 30, 2016</b> |
|---|---|---|---------------------------------|---------------------------------|
| Software Development                                | \$50,049                                | \$20,848                                | \$77,360                        | \$82,269                        |
| Software Development Recovery                       | \$nil                                   | \$(122,204)                             | \$nil                           | \$(122,204)                     |

<sup>[1]</sup> Software research and development costs are capitalized.

| <b>Intangible Assets arising from Development</b> | <b>Three months ended June 30, 2017</b> | <b>Three months ended June 30, 2016</b> | <b>Year ended June 30, 2017</b> | <b>Year ended June 30, 2016</b> |
|---|---|---|---------------------------------|---------------------------------|
| Amortization and Depreciation                     | \$36,556                                | \$36,916                                | \$120,857                       | \$114,216                       |

**DISCLOSURE OF INTERNAL CONTROLS**

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated



financial statements; and (ii) the consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented.

On November 23, 2007 the British Columbia Securities Commission exempted registered venture issuers, of which the Company is one, from certifying certain disclosure controls and procedures. In contrast to the certificate required for non-venture issuers under National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), the Venture Issuer Basic Certificate filed by the Company does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

- i. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii. a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## CHANGES IN ACCOUNTING POLICIES

### ***New Accounting Standards and Interpretations Issued but Not Yet Adopted.***

Certain pronouncements were issued by the IASB or the IFRIC; many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company:

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.



IFRS 15 – Revenue from Contracts with Customers was issued in May 2014 and applies to an annual reporting period beginning on or after January 1, 2018. IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

### CRITICAL ACCOUNTING ESTIMATES

The Company's significant accounting policies are presented in Note 2 of the condensed financial statements for the year ended June 30, 2017.

The determination as to the existence and measurement of any impairment requires management to make significant estimates and assumptions, which includes estimated future cash flows, discount rates and estimated useful life. These significant estimates and judgments could impact the Company's future results if the current estimates of future performance and fair value change. This could affect the amount of amortization expense and any impairment charges on intangible assets in future periods.

The significant estimates and judgments made in the preparation of these consolidated financial statements relating to the settlement provision are outlined in note 12. The Company has applied a discount factor of 18% to the \$500,000 payable as at November 23, 2015 and has assumed a repayment of \$100,000 per year (implying an assumption of \$1,000,000 per year in financing). An initial discount of \$187,500 was recognized based on these assumptions and will be accreted through the statement of operations until the liability is ultimately extinguished. Increasing the discount rate or extending the repayment period would have reduced the initially recognized liability and expense and increased the annual accretion expense.

A handwritten signature in black ink, appearing to read "David S. Wong", with a long horizontal line extending to the right.

David S. Wong, Chairman & CEO