

**MIDPOINT HOLDINGS LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**(Expressed in Canadian Dollars)**

**FOR THE YEARS ENDED JUNE 30, 2017 and 2016**

## **INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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<b>INDEPENDENT AUDITORS' REPORT</b>	<b>PAGE 1</b>
<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>	<b>PAGE 2</b>
<b>CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS</b>	<b>PAGE 3</b>
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>	<b>PAGE 4</b>
<b>CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY</b>	<b>PAGE 5</b>
<b>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>PAGES 6 - 18</b>

## Independent Auditors' Report

To the Shareholders of Midpoint Holdings Ltd.:

We have audited the accompanying consolidated financial statements of Midpoint Holdings Ltd., which comprise the consolidated statements of financial position as at June 30, 2017 and 2016, and the consolidated statements of operations and comprehensive loss, cash flows, and shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Midpoint Holdings Ltd. and its subsidiaries as at June 30, 2017 and 2016, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

*MNP* LLP

**Chartered Professional Accountants  
Licensed Public Accountants**

Mississauga, Ontario  
October 30, 2017

**MIDPOINT HOLDINGS LTD.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT JUNE 30, 2017 AND 2016  
(Expressed in Canadian dollars)**

	June 30, 2017	June 30, 2016
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (note 3)	\$ 814,999	\$ 411,370
Accounts receivable (note 11)	1,172	217,749
Prepaid expenses	11,261	7,393
Share subscriptions receivable (note 6)	10,000	-
<b>Total current assets</b>	<b>837,432</b>	<b>636,512</b>
<b>EQUIPMENT</b> (note 4)	<b>6,446</b>	<b>6,739</b>
<b>INTANGIBLES</b> (notes 5 and 11)	<b>386,483</b>	<b>420,108</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,230,361</b>	<b>\$ 1,063,359</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (notes 8 and 12)	\$ 221,608	\$ 351,438
Current portion of settlement provision (note 12)	118,197	84,746
<b>Total current liabilities</b>	<b>339,805</b>	<b>436,184</b>
Settlement provision (note 12)	150,040	202,568
<b>Total liabilities</b>	<b>489,845</b>	<b>638,752</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 6)	11,742,697	11,135,109
Contributed surplus	852,974	627,974
Warrants and options reserves (note 7)	553,900	628,100
Accumulated deficit	(11,911,303)	(11,481,420)
Accumulative other comprehensive loss	(497,752)	(485,156)
<b>Total shareholders' equity</b>	<b>740,516</b>	<b>424,607</b>
	<b>\$ 1,230,361</b>	<b>\$ 1,063,359</b>

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

Subsequent events (note 13)

On behalf of the Board:

Signed: "Corbin Comishin"

Director

Signed: "David Wong"

Director

**MIDPOINT HOLDINGS LTD.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**  
(Expressed in Canadian dollars)

	June 30, 2017	June 30, 2016
<b>REVENUE</b>	<b>\$ 371,677</b>	<b>\$ 270,051</b>
<b>COST OF SALES</b>	<b>122,045</b>	<b>198,624</b>
<b>GROSS MARGIN</b>	<b>249,632</b>	<b>71,427</b>
<b>EXPENSES</b>		
Professional and consulting fees (note 8)	257,804	423,058
Wages (note 8)	193,340	265,240
Marketing	41,825	126,780
Filing fees and transfer fees	42,131	34,559
Rent	6,726	31,016
General and administrative expenses	16,615	20,449
Website operating costs	-	18,002
Foreign exchange (gain) loss	(17,456)	(79,675)
Interest income	(22)	(10,095)
Grant income	(2,522)	-
Depreciation and amortization (notes 4 and 5)	120,857	114,051
Value added tax recovery (note 11)	(4,249)	(79,083)
Research and development tax credits (note 11)	(37,157)	(19,103)
Settlement (note 12)	-	352,464
Accretion expense (note 12)	61,623	35,590
Total expenses	<b>679,515</b>	<b>1,233,253</b>
<b>NET LOSS FOR THE YEAR</b>	<b>(429,883)</b>	<b>(1,161,826)</b>
<b>ITEMS THAT WILL SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS</b>		
Foreign currency translation adjustment	(12,596)	(53,260)
<b>COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>\$ (442,479)</b>	<b>\$ (1,215,086)</b>
Basic and diluted weighted average shares outstanding	<b>76,338,097</b>	<b>63,600,167</b>
Basic and diluted net loss per share	<b>\$ (0.006)</b>	<b>\$ (0.018)</b>

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

**MIDPOINT HOLDINGS LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**  
**(Expressed in Canadian dollars)**

	June 30, 2017	June 30, 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the year	\$ (429,883)	\$ (1,161,826)
Items not affecting cash		
Depreciation and amortization	120,857	114,051
Accretion expense (note 12)	61,623	35,590
Accrued interest (note 12)	-	1,057
Non-cash portion of settlement provision (note 12)	-	312,500
	<b>(247,403)</b>	<b>(698,628)</b>
Net changes in non-cash working capital items relating to operating activities:		
Accounts receivable and prepaid expenses	212,709	(248,506)
Accounts payable and accrued liabilities	(49,830)	(95,691)
Settlement provision payable	(80,700)	-
Net cash used in operating activities	<b>(165,224)</b>	<b>(1,042,825)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from issuance of common shares and warrants (note 6)	668,388	1,102,347
Net cash provided by financing activities	<b>668,388</b>	<b>1,102,347</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisitions of equipment and leasehold improvements	(9,465)	(7,085)
Acquisitions of intangible assets	(77,360)	(82,269)
Cash used in investing activities	<b>(86,825)</b>	<b>(89,354)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>416,339</b>	<b>(29,832)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>411,370</b>	<b>382,332</b>
<b>EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES</b>	<b>(12,710)</b>	<b>58,870</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 814,999</b>	<b>\$ 411,370</b>
<b>Supplemental cash flow information:</b>		
Debt extinguishment (note 6)	\$ 80,000	\$ -
Share subscriptions receivable (note 6)	\$ 10,000	\$ -

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

**MIDPOINT HOLDINGS LTD.  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016  
(Expressed in Canadian dollars)**

	Number of Shares Issued	Amount	Contributed Surplus	Warrants and Options Reserve	Accumulated Deficit	Accumulated Other Comprehensive (Loss)	Total Shareholders' Equity
<b>Balance June 30, 2015</b>	<b>60,294,582</b>	<b>\$ 10,370,309</b>	<b>\$ 627,974</b>	<b>\$ 375,000</b>	<b>\$ (10,319,594)</b>	<b>\$ (431,896)</b>	<b>\$ 621,793</b>
Private placement (note 6 (i))	2,783,658	325,849	-	91,700	-	-	417,549
Broker units (note 6 (i))	103,019	11,953	-	3,500	-	-	15,453
Issuance costs (note 6 (i))		(13,432)	-	-	-	-	(13,432)
Private placement (note 6 (ii))	4,807,600	355,560	-	125,200	-	-	480,760
Private placement (note 6 (ii))	1,270,000	94,300	-	32,700	-	-	127,000
Issuance costs (note 6 (ii))		(9,430)	-	-	-	-	(9,430)
Expired warrants	-	-	-	-	-	-	-
Net loss and comprehensive loss for the year	-	-	-	-	(1,161,826)	(53,260)	(1,215,086)
<b>Balance June 30, 2016</b>	<b>69,258,859</b>	<b>\$ 11,135,109</b>	<b>\$ 627,974</b>	<b>\$ 628,100</b>	<b>\$ (11,481,420)</b>	<b>\$ (485,156)</b>	<b>\$ 424,607</b>
Private placement (note 6 (iii))	5,000,000	193,300	-	56,700	-	-	250,000
Private placement (note 6 (iv))	1,600,000	80,000	-	-	-	-	80,000
Private placement (note 6 (v))	6,500,000	260,800	-	64,200	-	-	325,000
Private placement (note 6 (vi))	3,040,000	122,100	-	29,900	-	-	152,000
Issuance costs (notes 6 (iii) to 6 (vi))	291,000	(48,612)	-	-	-	-	(48,612)
Expired warrants	-	-	225,000	(225,000)	-	-	-
Net loss and comprehensive loss for the year	-	-	-	-	(429,883)	(12,596)	(442,479)
<b>Balance June 30, 2017</b>	<b>85,689,859</b>	<b>\$ 11,742,697</b>	<b>\$ 852,974</b>	<b>\$ 553,900</b>	<b>\$ (11,911,303)</b>	<b>\$ (497,752)</b>	<b>\$ 740,516</b>

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

**MIDPOINT HOLDINGS LTD.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016  
(Expressed in Canadian dollars)**

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**1. NATURE OF OPERATIONS**

Midpoint Holdings Ltd. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on April 15, 2010 and was classified as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. The principal business of the Company was to negotiate an acquisition or participation in a business subject to acceptance by regulatory authorities and, in certain cases, shareholder approval (the "Qualifying Transaction") which it completed on April 11, 2012.

The Company now operates through its wholly owned subsidiary in the United Kingdom, Midpoint & Transfer Ltd. ("MPNT"). Its business is a web based enterprise that matches buyers and sellers of foreign currency and transfers the funds to their desired location through an intermediary third-party payment provider. The Company receives fees from all parties for matching the currency exchanges and transferring the funds.

The Company's head office is 505 Kootenay Street, Nelson British Columbia, V1L 1K9.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Statement of compliance and principles of consolidation**

The Company has prepared these consolidated financial statements and the notes thereto in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. They are presented in Canadian dollars.

The consolidated financial statements have been prepared on a historical cost basis using the accrual basis of accounting except for cash flow information. The consolidated financial statements include the Company's wholly owned subsidiary, MPNT. All significant intercompany accounts and transactions have been eliminated as a result of consolidation. These consolidated financial statements were approved and authorized by the Board of Directors of the Company on October, 30, 2017.

**Revenue**

The Company recognizes revenue on the services provided for matching buyers and sellers of foreign currency exchanges and transferring funds through an intermediary third-party payment provider. The Company receives fees from both parties for each matched trade. Revenue is recognized when the trade is completed.

**Foreign currency translation**

**i) Functional and presentation currency**

The consolidated financial statements of the Company are presented in Canadian dollars. The Canadian dollar is the functional currency of Midpoint Holdings Inc. The functional currency of MPNT is the British pound.

Translation gains or losses resulting from the translation of the financial statements of MPNT into Canadian dollars are recorded in other comprehensive (loss) income.

**ii) Translation and balances**

Transactions in currencies other than the functional currency are translated to the functional currency at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing at the end of the reporting period. Exchange gains and losses on settlement of transactions, and the translation of monetary assets and liabilities other than in the functional currency are recorded in profit or loss.

**MIDPOINT HOLDINGS LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**  
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**2. SIGNIFICANT ACCOUNTING POLICIES – continued**

**Use of estimates and judgments**

The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The key areas of estimation are the valuation of intangible assets and the valuation of the settlement provision.

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.

**Operating segments**

The Company operates principally in the United Kingdom with some corporate administration functions performed in Canada. It is management's opinion that the Company operates in a single reportable operating segment because the Company's operations are maintained at the U.K. office.

**Equipment**

The Company records equipment at cost less accumulated depreciation and accumulated impairment losses. It recognizes depreciation to expense the cost of assets (less their residual values) over their useful lives, using the following methods and rates:

Computer equipment	Straight-line	3 years
Furniture and fixtures	Straight-line	3 years
Leasehold improvements	Straight-line	5 years

The Company reviews the estimated useful lives, residual values and depreciation method at each year end, accounting for the effect of any changes in estimate on a prospective basis. The gain or loss arising on disposing of or retiring an item of equipment is determined as the difference between the sales proceeds and the asset's carrying amount and is recognized in profit or loss.

**Intangible assets**

The Company follows IAS 38 which details the accounting treatment of intangible assets.

***Internally generated intangible assets:***

***Software development***

Certain costs incurred in connection with the development of software to be used internally or for providing services to customers are capitalized once a project has progressed beyond a conceptual, preliminary stage to that of application development. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during the development can be reliably measured.

**MIDPOINT HOLDINGS LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**  
**(Expressed in Canadian dollars)**

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**2. SIGNIFICANT ACCOUNTING POLICIES - continued**

**Intangible assets - continued**

Costs that qualify for capitalization include both internal and external costs. These costs are amortized over their remaining useful lives estimated at 2.75 years (2016 – 3.75 years). Residual values are reviewed at the end of each reporting period and adjusted if appropriate. During the year ended June 30, 2015, management revised the estimated useful life of its software to coincide with the expiry of its patents in March 2020.

***Externally generated intangible assets:***

Intangible assets acquired through asset acquisitions or business combinations are initially recognized at fair value, based on an allocation of the purchase price. The intangible assets are amortized on a straight-line basis over their estimated useful lives. The amortization method, estimated useful lives and residual values are reviewed each financial year-end or more frequently if required, and are adjusted as appropriate.

*Patents*

Patents are stated at cost, which primarily consist of legal costs in relation to their applications. Patents are amortized using the straight-line method over the estimated useful life. Patents expire in March 2020.

**Impairment of long-lived assets**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication those assets have suffered an impairment loss. If any such indication exists, it estimates the asset's recoverable amount to determine the extent of the impairment loss (if any). Where it is not possible to estimate an individual asset's recoverable amount, the Company estimates the recoverable amount of the cash-generating unit ('CGU') to which the asset belongs. Where it can identify a reasonable and consistent basis of allocation, it also allocates corporate assets to individual CGU's, or otherwise allocates them to the smallest group of CGU's for which it can identify a reasonable and consistent allocation basis.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the Company discounts estimated future cash flows to their present value using a pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If an asset or CGU's recoverable amount is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount, recognizing an impairment loss immediately in profit or loss. During the year ended June 30, 2017 and 2016, the Company did not identify indicators of impairment with respect to its patents and software and therefore did not recognize an impairment loss.

**Deferred taxes**

Income tax expense consists of current and deferred tax expense. Current and deferred taxes are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in profit or loss, in other comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At the end of reporting period, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow the asset to be recovered.

**MIDPOINT HOLDINGS LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**  
**(Expressed in Canadian dollars)**

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**2. SIGNIFICANT ACCOUNTING POLICIES - continued**

**Financial instruments**

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises derivatives, or assets acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the profit or loss.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the consolidated statement of loss and comprehensive loss.

Available-for-sale

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss. All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at the end of each reporting period. Financial assets are impaired when there is any objective evidence that future cash flows from a financial asset or a group of financial assets have been negatively impacted. Different criteria to determine impairment are applied for each category of financial assets described above.

Financial liabilities:

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the corresponding asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities

The Company classifies other financial liabilities, consisting of accounts payables and settlement provision, initially measured at fair value, net of transaction costs, and subsequently at amortized cost using the effective interest method, recognizing interest expense on an effective yield basis.

**MIDPOINT HOLDINGS LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**  
**(Expressed in Canadian dollars)**

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**2. SIGNIFICANT ACCOUNTING POLICIES - continued**

**Financial Instruments - continued**

The Company's financial instruments consist of the following:

<i>Financial assets:</i>	<i>Classification:</i>
Cash and cash equivalents	Loans and receivables
Accounts receivable	Loans and receivables
Share subscriptions receivable	Loans and receivables
<i>Financial liabilities:</i>	<i>Classification:</i>
Accounts payable	Other financial liabilities
Settlement provision	Other financial liabilities

The Company classifies its financial instruments according to a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- Level 3 - Inputs for assets or liabilities that are not based on observable market data.

The fair value of all of the Company's financial instruments approximates their carrying values due to the relative short-term maturity of these instruments.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

*Credit 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. Accounts receivable consist of value added tax and research and development credits due from HM Revenue and Customs (note 11) and management believes that the credit risk concentration with respect these items is remote.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company currently has no significant exposure to interest rate risk.

*Foreign exchange risk*

The Company is exposed to currency risk as the Company has transactions through its United Kingdom subsidiary in currencies other than Great British pounds (GBP). The Company is exposed to foreign exchange risk on a portion of its cash and to the amounts due from the United Kingdom subsidiary to the Canadian parent company. However, it is management's belief that the Company did not have significant exposure to foreign exchange risk for the years ended June 30, 2017 and 2016.

*Liquidity risk*

Liquidity risk is the exposure of the Company to the risk of not being able to meet its financial obligations as they fall 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 (2016 - \$411,370) to satisfy current liabilities of \$339,805 (2016 - \$436,184). Based on the positive working capital at the end of the reporting period and subsequent financings (note 13), the Company has no significant liquidity risk.

**MIDPOINT HOLDINGS LTD.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016  
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**2. SIGNIFICANT ACCOUNTING POLICIES - continued**

**Stock-based compensation**

The Company has in effect a share option plan which allows Company employees, directors, and officers to acquire shares of the Company. The fair value of options granted is recognized as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and each tranche is recognized on a graded basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

**Loss per share information**

The Company computes basic loss per share by dividing the net loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted earnings (loss) per share reflects the potential dilution that could occur if additional common shares are assumed to be issued under securities or contracts that entitle their holders to obtain common shares in the future and is calculated using the treasury stock method. In calculating the diluted loss per share, the weighted average number of common shares outstanding assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. For the periods presented, this calculation proved to be anti-dilutive.

**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 recognise 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.

**3. CASH AND CASH EQUIVALENTS**

At June 30, 2017 the Company had cash and cash equivalents of \$814,999 (2016 - \$411,370). The Company maintains cash in various banks in Canada and the United Kingdom. The balances in cash and cash equivalents are comprised as follows:

	<b>June 30, 2017</b>	<b>June 30, 2016</b>
Cash	<b>\$ 787,435</b>	\$ 411,370
Funds held in trust	<b>27,564</b>	-
	<b>\$ 814,999</b>	<b>\$ 411,370</b>

As at June 30, 2017 \$27,564 was held in trust related to the private placement that took place on June 30, 2017 (note 6(vi)) and was released to the Company in early July 2017. No amounts are held in trust as at June 30, 2016.

**MIDPOINT HOLDINGS LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**  
**(Expressed in Canadian dollars)**

**4. EQUIPMENT**

The Company did not have any indications of impairment for its equipment.

	June 30, 2017	June 30, 2016
Cost		
Balance, at beginning of year	\$ 13,334	\$ 7,115
Additions	9,465	7,085
Effect of changes in foreign exchange rates	-	(866)
Balance, at end of year	22,799	13,334
Accumulated Depreciation		
Balance, at beginning of year	6,595	4,352
Depreciation for year	9,758	3,065
Effect of changes in foreign exchange rates	-	(822)
Balance, at end of year	16,353	6,595
Net Book Value	\$ 6,446	\$ 6,739
<b>Comprised as follows:</b>		
Computer equipment	\$ 6,446	\$ 363
Leasehold improvements	-	6,376
	\$ 6,446	\$ 6,739

**5. INTANGIBLES**

The Company did not have any indications of impairment for its intangible assets.

	June 30, 2017	June 30, 2016
<b>Patents:</b>		
Cost		
Balance, at beginning of year	\$ 220,729	\$ 220,729
Balance, at end of year	220,729	220,729
Accumulated Amortization		
Balance, at beginning of year	180,451	170,739
Amortization for year	9,711	9,712
Balance, at end of year	190,162	180,451
Net Book Value	\$ 30,565	\$ 40,278

**MIDPOINT HOLDINGS LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**  
**(Expressed in Canadian dollars)**

**5. INTANGIBLES - continued**

	June 30, 2017	June 30, 2016
<b>Software</b>		
<b>Cost</b>		
Balance, at beginning of year	\$ 627,913	\$ 667,848
Additions	77,360	82,269
Recoveries (note 11)	-	(122,204)
Balance, at end of year	<b>705,273</b>	627,913
<b>Accumulated Amortization</b>		
Balance, at beginning of year	248,083	146,809
Amortization for year	101,272	101,274
Balance, at end of year	<b>349,355</b>	248,083
Net Book Value	<b>355,918</b>	379,830
<b>Total Net Intangibles</b>	<b>\$ 386,483</b>	<b>\$ 420,108</b>

**6. SHARE CAPITAL**

**Authorized Share Capital**

As at June 30, 2017 and 2016, the Company had authorized unlimited common shares.

**Equity Activity**

A summary of share transactions is as follows:

- (i) On October 28, 2015 the Company completed a private placement for a total of 2,783,658 units at a price of \$0.15 per unit for total proceeds of \$417,549. Each unit comprises one common share and one half of one common share purchase warrant exercisable at \$0.30 for 24 months from closing.

Share issue costs of \$13,432 were incurred. Additionally, in lieu of a \$15,453 broker commission, the Company issued 103,019 broker units. Each broker unit comprises one common share and one half of one common share purchase warrant exercisable at \$0.30 for 24 months from closing.

The net proceeds from the financing and the fair value of the broker units were allocated proportionally based on the fair value of one common share (78%) and the fair value of one half of one common share purchase warrant (22%).

The fair value of the common share purchase warrants was estimated using the Black Scholes option pricing model and the following weighted average assumptions: share price - \$0.115; exercise price - \$0.30; expected life - 24 months; annualized volatility - 165%; quarterly dividend yield - 0%; risk-free rate - 0.54%.

- (ii) On March 31, 2016 and May 12, 2016 the Company completed two tranches of a private placement for a total of 6,077,600 units at a price of \$0.10 per unit for total proceeds of \$607,760. Each unit comprises one common share and one half of one common share purchase warrant exercisable at \$0.20 for 24 months from closing.

Share issue costs of \$9,430 were incurred.

The net proceeds from the financing were allocated proportionally based on the fair value of one common share (74%) and the fair value of one half of one common share purchase warrant (26%).

**MIDPOINT HOLDINGS LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**  
**(Expressed in Canadian dollars)**

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**6. SHARE CAPITAL – continued**

The fair value of the March 31, 2016 common share purchase warrants was estimated using the Black Scholes option pricing model and the following weighted average assumptions: share price - \$0.115; exercise price - \$0.20; expected life – 24 months; annualized volatility – 172%; quarterly dividend yield – 0%; risk-free rate – 0.54%.

The fair value of the May 12, 2016 common share purchase warrants was estimated using the Black Scholes option pricing model and the following weighted average assumptions: share price - \$0.100; exercise price - \$0.20; expected life – 24 months; annualized volatility – 174%; quarterly dividend yield – 0%; risk-free rate – 0.54%.

- (iii) On July 4, 2016 and July 19, 2016 the Company completed two tranches of a private placement for a total of 5,000,000 units at a price of \$0.05 per unit for total proceeds of \$250,000. Each unit comprises one common share and one half of one common share purchase warrant exercisable at \$0.20 for 24 months from closing.

Share issue costs of \$16,717 were incurred.

The net proceeds from the financing were allocated proportionally based on the fair value of one common share (76%) and the fair value of one half of one common share purchase warrant (24%).

The fair value of the July 4, 2016 common share purchase warrants was estimated using the Black Scholes option pricing model and the following weighted average assumptions: share price - \$0.06; exercise price - \$0.20; expected life – 24 months; annualized volatility – 176%; quarterly dividend yield – 0%; risk-free rate – 0.470%.

The fair value of the July 19, 2016 common share purchase warrants was estimated using the Black Scholes option pricing model and the following weighted average assumptions: share price - \$0.06; exercise price - \$0.20; expected life – 24 months; annualized volatility – 180%; quarterly dividend yield – 0%; risk-free rate – 0.540%.

- (iv) On December 29, 2016 the Company extinguished debt with a carrying value of \$80,000 in exchange for 1,600,000 shares at a price of \$0.05 per share. There was no gain or loss as a result of this transaction.

- (v) On March 31, 2017 the Company completed a private placement for a total of 6,500,000 units at a price of \$0.05 per unit for total proceeds of \$325,000. Each unit comprises one common share and one half of one common share purchase warrant exercisable at \$0.20 for 24 months from closing.

Share issue costs of \$21,732 were incurred. In addition, \$14,550 of shares were issued as a finder fee.

The net proceeds from the financing were allocated proportionally based on the fair value of one common share (78%) and the fair value of one half of one common share purchase warrant (22%).

The fair value of the March 31, 2017 common share purchase warrants was estimated using the Black Scholes option pricing model and the following weighted average assumptions: share price - \$0.05; exercise price - \$0.20; expected life – 24 months; annualized volatility – 167%; quarterly dividend yield – 0%; risk-free rate – 0.73%.

- (vi) On June 30, 2017 the Company completed the first of two tranches of a private placement for a total of 3,040,000 units at a price of \$0.05 per unit for total proceeds of \$152,000. Each unit comprises one common share and one half of one common share purchase warrant exercisable at \$0.20 for 24 months from closing. Share subscriptions receivable of \$10,000 was collected in July 2017.

Share issue costs of \$10,164 were incurred.

The net proceeds from the financing were allocated proportionally based on the fair value of one common share (79%) and the fair value of one half of one common share purchase warrant (21%).

The fair value of the June 30, 2017 common share purchase warrants was estimated using the Black Scholes option pricing model and the following weighted average assumptions: share price - \$0.04; exercise price - \$0.20; expected life – 24 months; annualized volatility – 167%; quarterly dividend yield – 0%; risk-free rate – 1.090%.

**MIDPOINT HOLDINGS LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**  
**(Expressed in Canadian dollars)**

**7. WARRANTS AND OPTIONS RESERVES**

**Warrants**

The following table summarizes the Company's warrant activity:

	Number	Weighted Average Exercise Price
Outstanding June 30, 2015	4,217,711	\$ 0.23
Issued with private placements (notes 6 (i and ii))	4,482,139	\$ 0.23
Outstanding June 30, 2016	8,699,850	\$ 0.23
Issued with private placements (notes 6 (iii, v and vi))	7,270,000	\$ 0.20
Expired	(4,217,711)	\$ 0.23
<b>Outstanding, June 30, 2017</b>	<b>11,752,139</b>	<b>\$ 0.21</b>

The balance of outstanding and exercisable share purchase warrants at June 30, 2017 is as follows:

Grant date	Expiry Date	Number of Warrants	Exercise Price
October 28, 2015	October 28, 2017*	1,391,829	\$ 0.30
October 28, 2015	October 28, 2017*	51,510	\$ 0.30
March 31, 2016	March 31, 2018	2,403,800	\$ 0.20
May 12, 2016	May 12, 2018	635,000	\$ 0.20
July 19, 2016	July 19, 2018	2,500,000	\$ 0.20
March 31, 2017	March 31, 2019	3,250,000	\$ 0.20
June 30, 2017	June 30, 2019	1,520,000	\$ 0.20
		<b>11,752,139</b>	<b>\$ 0.21</b>

\*Expired on October 28, 2017

**Options**

The Company has a stock option plan (the "Plan") in place under which it is authorized to grant options to acquire common shares of the Company to directors, officers, consultants and other key employees of the Company. The number of common shares subject to options granted under the Plan are limited to 10% in the aggregate, and 5% with respect to any one optionee, of the number of issued and outstanding common shares of the Company at the date of the grant of the option.

The following table summarizes the Company's option activity:

	Number	Weighted Average Exercise Price
Outstanding June 30, 2016	1,820,000	\$ 0.20
<b>Outstanding, June 30, 2017</b>	<b>1,820,000</b>	<b>\$ 0.20</b>

**MIDPOINT HOLDINGS LTD.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016  
(Expressed in Canadian dollars)**

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**7. WARRANTS AND OPTIONS RESERVE - continued**

**Options - continued**

The balance of outstanding and exercisable options at June 30, 2017 is as follows:

Grant date	Expiry Date	Number of Options	Exercise Price
March 17, 2014	March 17, 2019	1,820,000	\$ 0.20

**8. KEY MANAGEMENT COMPENSATION AND RELATED PARTY TRANSACTIONS**

Key management includes members of the Board and other key financial officers. Remuneration paid to key management personnel included in the statement of operations and comprehensive loss is \$26,500 (2016 - \$124,634).

Accounts payable to directors in the statement of financial position is \$7,682 (2016 - \$641).

For the year ended June 30, 2017, the Company paid C. Comishin & Associates Inc., a company controlled by shareholders and a Board member, \$20,000 (2016 - \$35,169) for accounting services provided. The Company also paid rental services to a company controlled by a director of \$6,726 (2016 - \$31,016).

Stock based compensation paid to directors is \$Nil (2016 - \$Nil).

Also included in expenses is a settlement provision and accretion expense for a former member of key management (note 12).

**9. CAPITAL MANAGEMENT**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and development of its intangible assets. The capital of the Company consists of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company has not generated significant revenues and is in the process of executing and developing its marketing plan; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned budget, the Company will spend its existing working capital and raise additional amounts as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended June 30, 2017, and the year ended June 30, 2016. The Company is not subject to externally imposed capital requirements.

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. As at June 30, 2016, the Company did not meet this requirement and converted certain intercompany loans into share capital such that these requirements were met in fiscal 2017.

**MIDPOINT HOLDINGS LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**  
**(Expressed in Canadian dollars)**

**10. INCOME TAX**

The reconciliation of the combined Canadian federal and provincial statutory income tax rate to the effective tax rate is as follows:

	June 30, 2017	June 30, 2016
Net loss before recovery of income taxes	\$ 429,883	\$ 1,161,826
Expected income tax recovery at 26% (2016 – 26%)	\$ (111,770)	\$ (340,340)
Difference in foreign tax rates	2,600	15,500
Tax rate changes and other adjustments	-	62,150
Non-deductible expenses	(8,060)	(4,470)
Change in tax benefits not recognized	117,230	267,160
Income tax recovery reflected in the statement of operations	\$ -	\$ -

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom:

Non-Capital losses carried forward - United Kingdom	\$ 2,380,640	\$ 1,659,980
Non-Capital losses carried forward - Canada	\$ 1,748,920	\$ 1,725,080
Intangible assets	\$ 546,600	\$ 301,660
Share issue costs	\$ 61,040	\$ 50,640
Equipment	\$ 2,230	\$ 2,230
Unpaid amounts	\$ 387,120	\$ 287,310

United Kingdom losses may be carried forward indefinitely.

The Canadian non-capital loss carry forwards expire as noted in the table below.

Share issue and financing costs will be fully amortized in 2022.

The remaining deductible temporary differences may be carried forward indefinitely.

The Company's Canadian non-capital income tax losses expire as follows:

2028	\$ 26,840
2029	44,790
2030	44,990
2031	58,610
2032	316,340
2033	194,730
2034	160,480
2035	335,760
2036	791,850
2037	406,250
	<b>\$ 2,380,640</b>

**MIDPOINT HOLDINGS LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**  
**(Expressed in Canadian dollars)**

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**11. RECOVERIES**

During the year, the Company filed claims with HM Revenue and Customs for value added taxes ("VAT") and research and development ("R&D") credits. In total, GBP 2,527 of VAT and GBP 22,097 of R&D was claimed and the Canadian dollar equivalent of these amounts (\$41,406) was collected and recorded in revenue as at June 30, 2017 (2016 - \$217,749, collected in fiscal 2017). Accordingly, the Company has recognized a recovery in the statement of operations in the amount of \$4,249 (2016 - \$79,083) and \$37,157 (2016 - \$19,103) for VAT and R&D, respectively and a recovery of \$nil (2016 - \$122,204) for a proportionate allocation of VAT capitalized in prior periods.

**12. SETTLEMENT PROVISION**

On November 23, 2015, the CEO resigned from his duties with the Company. The Company has entered into an agreement (the "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 at June 30, 2017, a cumulative total of \$141,476 (\$60,776) was designated to be repaid under the Agreement and the Company had paid \$126,276 (2016 - \$nil). Accordingly, \$15,200 (2016 - \$60,776) is included in accounts payable.

**13. SUBSEQUENT EVENTS**

On July 14, 2017, the Company completed the second of two tranches of a private placement for a total of 960,000 units at a price of \$0.05 per unit for total proceeds of \$48,000. Each unit comprises one common share and one half of one common share purchase warrant exercisable at \$0.20 per share for 24 months from closing.

On October 24, 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 share.

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.