

MIDPOINT HOLDINGS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED JUNE 30, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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 31, 2018

**MIDPOINT HOLDINGS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2018 AND 2017
(Expressed in Canadian dollars)**

	June 30, 2018	June 30, 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (note 3)	\$ 1,268,957	\$ 814,999
Accounts receivable	1,010	1,172
Prepaid expenses	17,093	11,261
Share subscriptions receivable (note 6)	-	10,000
Total current assets	1,287,060	837,432
EQUIPMENT (note 4)	44,591	6,446
INTANGIBLES (notes 5 and 11)	448,392	386,483
TOTAL ASSETS	\$ 1,780,043	\$ 1,230,361
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (notes 8 and 12)	\$ 172,496	\$ 221,608
Current portion of settlement provision (note 12)	84,746	118,197
Total current liabilities	257,242	339,805
Settlement provision (note 12)	88,652	150,040
Total liabilities	345,894	489,845
SHAREHOLDERS' EQUITY		
Share capital (note 6)	12,995,864	11,742,697
Contributed surplus	1,376,328	852,974
Warrants and options reserve (note 7)	154,699	553,900
Accumulated deficit	(12,617,296)	(11,911,303)
Accumulated other comprehensive loss	(475,446)	(497,752)
Total shareholders' equity	1,434,149	740,516
	\$ 1,780,043	\$ 1,230,361

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

Commitments and Contingent Liabilities (note 13)
Subsequent Events (note 14)

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, 2018 AND 2017
(Expressed in Canadian dollars)

	June 30, 2018	June 30, 2017
REVENUE	\$ 482,315	\$ 371,677
COST OF SALES	189,710	122,045
GROSS MARGIN	292,605	249,632
EXPENSES		
Wages (notes 7 and 8)	285,344	193,340
Professional and consulting fees (note 8)	267,779	257,804
Marketing	86,104	41,825
Filing fees and transfer fees	61,254	42,131
Rent (note 8)	67,006	6,726
General and administrative expenses	49,720	16,615
Website operating costs	30,987	-
Foreign exchange gain	(12,670)	(17,456)
Interest income	(640)	(22)
Grant income	(2,564)	(2,522)
Depreciation and amortization (notes 4 and 5)	134,189	120,857
Value added tax recovery (note 11)	(3,871)	(4,249)
Research and development tax credits (note 11)	-	(37,157)
Accretion expense (note 12)	35,960	61,623
Total expenses	998,598	679,515
NET LOSS FOR THE YEAR	(705,993)	(429,883)
ITEMS THAT WILL SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS		
Foreign currency translation adjustment	22,306	(12,596)
COMPREHENSIVE LOSS FOR THE YEAR	\$ (683,687)	\$ (442,479)
Basic and diluted weighted average shares outstanding	98,693,019	76,338,097
Basic and diluted net loss per share	\$ (0.007)	\$ (0.006)

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, 2018 AND 2017
(Expressed in Canadian dollars)**

	June 30, 2018	June 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (705,993)	\$ (429,883)
Items not affecting cash		
Depreciation and amortization	134,189	120,857
Accretion expense (note 12)	35,960	61,623
Share based payments (note 7)	122,154	-
	(413,690)	(247,403)
Net changes in non-cash working capital items relating to operating activities:		
Accounts receivable and prepaid expenses	(7,125)	212,709
Accounts payable and accrued liabilities	(49,698)	(49,830)
Settlement provision payable	(130,800)	(80,700)
Net cash used in operating activities	(601,313)	(165,224)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuance of common shares and warrants (note 6)	1,265,166	668,388
Net cash provided by financing activities	1,265,166	668,388
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisitions of equipment	(60,585)	(9,465)
Acquisitions of intangible assets	(172,895)	(77,360)
Cash used in investing activities	(233,480)	(86,825)
NET INCREASE IN CASH AND CASH EQUIVALENTS	430,373	416,339
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	814,999	411,370
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES	23,585	(12,710)
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,268,957	\$ 814,999
Supplemental cash flow information:		
Share subscriptions receivable (note 6)	\$ (10,000)	\$ 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, 2018 AND 2017
(Expressed in Canadian dollars)**

	Number of Shares Issued	Amount	Contributed Surplus	Warrants and Options Reserve	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance June 30, 2016	69,258,859	\$ 11,135,109	\$ 627,974	\$ 628,100	\$ (11,481,420)	\$ (485,156)	\$ 424,607
Private placement (note 6 (i))	5,000,000	193,300	-	56,700	-	-	250,000
Private placement (note 6 (ii))	1,600,000	80,000	-	-	-	-	80,000
Private placement (note 6 (iii))	6,500,000	260,800	-	64,200	-	-	325,000
Private placement (note 6 (iv))	3,040,000	122,100	-	29,900	-	-	152,000
Issuance costs (notes 6 (i) to 6 (iv))	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)
Balance June 30, 2017	85,689,859	\$ 11,742,697	\$ 852,974	\$ 553,900	\$ (11,911,303)	\$ (497,752)	\$ 740,516
Private placement (note 6 (v))	960,000	40,100	-	7,900	-	-	48,000
Private placement (note 6 (vi))	16,000,000	1,200,000	-	-	-	-	1,200,000
Exercised warrants (note 6 (vii))	300,000	65,901	-	(5,901)	-	-	60,000
Issuance costs (notes 6 (v) & 6 (vii))	956,783	(52,834)	-	-	-	-	(52,834)
Share based payments (note 7)	-	-	122,154	-	-	-	122,154
Expired stock options (note 7)	-	-	105,500	(105,500)	-	-	-
Expired warrants (note 7)	-	-	295,700	(295,700)	-	-	-
Net loss and comprehensive loss for the year	-	-	-	-	(705,993)	22,306	(683,687)
Balance June 30, 2018	103,906,642	\$ 12,995,864	\$ 1,376,328	\$ 154,699	\$ (12,617,296)	\$ (475,446)	\$ 1,434,149

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, 2018 AND 2017
(Expressed in Canadian dollars)**

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, 2018.

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 Ltd. 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, 2018 AND 2017
(Expressed in Canadian dollars)

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. 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

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 as described below.

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
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(Expressed in Canadian dollars)

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 1.75 years (2017 – 2.75 years). Residual values are reviewed at the end of each reporting period and adjusted if appropriate. The estimated useful life of its software coincides 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, 2018 and 2017, the Company did not identify indicators of impairment with respect to its patents and software.

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
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(Expressed in Canadian dollars)

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 consolidated statements of loss and comprehensive 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 statements 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 statements of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities

The Company's other financial liabilities consist of accounts payables and settlement provision; these are 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, 2018 AND 2017
(Expressed in Canadian dollars)

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. The Company has deposited its cash in financial institutions with good reputations, and management considers the risk of losses to be negligible.

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 Canadian dollar equivalent value of all cash held in foreign denominated currencies as at June 30, 2018 is \$365,000 (2017 - \$171,000).

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 \$1,268,957 as at June 30, 2018 (2017 - \$814,999) to satisfy current liabilities of \$257,242 (2017 - \$339,805). Based on the positive working capital at the end of the reporting period of \$1,029,818 (2017 - \$497,627), the Company has no significant liquidity risk.

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 year. 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

New pronouncements have been issued by the IASB or the IFRIC; however, many are not applicable or do not have a significant impact to the Company and have been excluded. The following may be applicable to the Company but have not yet been adopted and are being evaluated to determine their impact:

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. The Company does not expect a significant impact on its financial instruments upon the adoption of this standard.

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. The Company does not expect a significant impact on its revenue recognition policy upon the adoption of this standard.

IFRS 16 – Leases, which will replace IAS 17, Leases, introduces a single lease accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15 at or before the date of initial adoption of IFRS 16. The extent of the impact of adoption of the standard has not yet been determined.

MIDPOINT HOLDINGS LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017
(Expressed in Canadian dollars)

3. CASH AND CASH EQUIVALENTS

At June 30, 2018 the Company had cash and cash equivalents of \$1,268,957 (2017 - \$814,999). The Company maintains cash in various banks in Canada and the United Kingdom. The balances in cash and cash equivalents are as follows:

	June 30, 2018	June 30, 2017
Cash	\$1,263,675	\$ 787,435
Funds held in trust	5,282	27,564
	\$1,268,957	\$ 814,999

As at June 30, 2018 \$5,282 was held in trust related to the private placement that took place on October 27, 2017 (note 6(vi)) and was released to the Company in early July 2018.

4. EQUIPMENT

	June 30, 2018	June 30, 2017
Cost		
Balance, at beginning of year	\$ 22,799	\$ 13,334
Additions	60,585	9,465
Effect of changes in foreign exchange rates	763	-
Balance, at end of year	84,147	22,799
Accumulated Depreciation		
Balance, at beginning of year	16,353	6,595
Depreciation for year	23,203	9,758
Balance, at end of year	39,556	16,353
Net Book Value	\$ 44,591	\$ 6,446
Comprised as follows:		
Computer and office equipment	\$ 44,591	\$ 6,446

**MIDPOINT HOLDINGS LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017
(Expressed in Canadian dollars)**

5. INTANGIBLES

	June 30, 2018	June 30, 2017
Patents:		
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	190,164	180,451
Amortization for year	9,713	9,713
Balance, at end of year	199,877	190,164
Net Book Value, Patents	\$ 20,852	\$ 30,565
Software:		
Cost		
Balance, at beginning of year	\$ 705,273	\$ 627,913
Additions	172,895	77,360
Balance, at end of year	878,168	705,273
Accumulated Amortization		
Balance, at beginning of year	349,355	248,083
Amortization for year	101,273	101,272
Balance, at end of year	450,628	349,355
Net Book Value, Software	427,540	355,918
Total Net Intangibles	\$ 448,392	\$ 386,483

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6. SHARE CAPITAL

Authorized Share Capital

As at June 30, 2018 and 2017, the Company had authorized unlimited common shares.

Equity Activity

A summary of share transactions is as follows:

- (i) 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 (77%) and the fair value of one half of one common share purchase warrant (23%).

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%.

- (ii) 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.

- (iii) 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 (80%) and the fair value of one half of one common share purchase warrant (20%).

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%.

- (iv) 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 \$10,163 were incurred.

The net proceeds from the financing were allocated proportionally based on the fair value of one common share (80%) and the fair value of one half of one common share purchase warrant (20%).

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%.

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6. SHARE CAPITAL – continued

- (v) 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 for 24 months from closing.

Share issue costs of \$13,805 were incurred.

The net proceeds from the financing were allocated proportionally based on the fair value of one common share (84%) and the fair value of one half of one common share purchase warrant (16%).

The fair value of the July 14, 2017 common share purchase warrants was estimated using the Black-Scholes option pricing model and the following weighted average assumptions: share price - \$0.07; exercise price - \$0.20; expected life – 24 months; annualized volatility – 162%; quarterly dividend yield – 0%; risk-free rate – 1.190%.

- (vi) On October 27, 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.

Share issue costs of \$31,929 were incurred and an additional 956,783 shares were issued as part of the costs of the issuance.

- (vii) In January 2018 the 300,000 warrants were exercised at an exercise price of \$0.20 per share for total proceeds of \$60,000.

Share issue costs of \$7,100 were incurred.

7. WARRANTS AND OPTIONS RESERVES

Warrants

The following table summarizes the Company's warrant activity:

	Number	Weighted Average Exercise Price
Outstanding June 30, 2016	8,699,850	\$ 0.23
Issued with private placements (notes 6 (i, iii, and iv))	7,270,000	\$ 0.20
Expired	(4,217,711)	\$ 0.23
Outstanding June 30, 2017	11,752,139	\$ 0.20
Issued with private placements (note 6 (v))	480,000	\$ 0.20
Expired	(4,382,139)	\$ 0.20
Exercised (note 6 (vii))	(300,000)	\$ 0.20
Outstanding, June 30, 2018	7,450,000	\$ 0.20

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7. WARRANTS AND OPTIONS RESERVES – continued

Warrants – continued

The balance of outstanding and exercisable share purchase warrants at June 30, 2018 is as follows:

Grant date	Expiry Date	Number of Warrants	Exercise Price
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	1,220,000	\$ 0.20
July 14, 2017	July 14, 2019	480,000	\$ 0.20
		7,450,000	\$ 0.20

*Expired on July 19, 2018

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 and 2017	1,820,000	\$ 0.20
Issued (i)	3,125,000	\$ 0.30
Expired	(1,280,000)	\$ 0.20
Outstanding, June 30, 2018	3,665,000	\$ 0.29

- (i) On December 15, 2017, the Company issued 3,125,000 stock options, exercisable at \$0.30 for 5 years, to an officer of the Company. The options vest in four (4) equal tranches on the first through fourth anniversaries of their issuance. The options are also subject to market vesting conditions requiring the Company's 60-day volume weighted average share price ("VWAP") to exceed various thresholds. The probability of the satisfaction of this vesting condition has been built into the option valuation model. The fair value of the options was determined to be \$432,450 using the Black Scholes option pricing model and the following weighted average assumptions: share price - \$0.32; exercise price - \$0.30; expected life - 5 years; annualized volatility - 144%; quarterly dividend yield - 0%; risk-free rate - 1.660%; Probability of meeting VWAP conditions - 20% to 85%.

During the year, the Company recognized stock-based compensation expense of \$122,154 which is included in wages expense. In fiscal 2019, the officer to whom the options were awarded resigned and all 3,125,000 options were cancelled unvested. Accordingly, an expense recovery of \$122,154 will be recognized in fiscal 2019.

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7. WARRANTS AND OPTIONS RESERVE - continued

Options - continued

The balance of outstanding and exercisable options at June 30, 2018 is as follows:

Grant date	Expiry Date	Number of Options	Exercise Price
March 17, 2014	March 17, 2019	540,000	\$ 0.20
December 15, 2018	December 15, 2023*	3,125,000	\$ 0.30
		3,665,000	\$ 0.29

*Expired on October 25, 2018

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 statements of operations and comprehensive loss is \$90,424 (2017 - \$26,500).

Accounts payable to directors in the statements of financial position is \$nil (2017 - \$7,682).

For the year ended June 30, 2018, the Company paid C. Comishin & Associates Inc., a company controlled by shareholders and a Board member, \$nil (2017 – \$20,000) for accounting services provided. The Company also paid rental services to a company controlled by a director of \$67,006 (2017 – \$6,726).

Stock based compensation paid to directors is \$nil (2017 - \$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, 2018, and the year ended June 30, 2017. 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, 2018, the Company met this requirement.

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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, 2018	June 30, 2017
Net loss before recovery of income taxes	\$ 705,993	\$ 429,883
Expected income tax recovery at 26% (2017 – 26%)	\$ (183,560)	\$ (111,770)
Difference in foreign tax rates	(13,330)	2,600
Tax rate changes and other adjustments	(181,980)	-
Non-deductible expenses	79,640	(8,060)
Change in tax benefits not recognized	299,230	117,230
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 - Canada	\$ 3,102,460	\$ 2,380,640
Non-Capital losses carried forward - United Kingdom	\$ 1,939,280	\$ 1,748,920
Equipment and intangible assets	\$ 933,090	\$ 546,940
Share issue costs	\$ 142,000	\$ 61,040
Unpaid amounts	\$ 173,400	\$ 283,440

United Kingdom income tax losses may be carried forward indefinitely.

The Canadian non-capital income tax losses expire as noted in the table below.

Share issue and financing costs will be fully amortized in 2023.

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	160,490
2035	335,760
2036	791,850
2037	948,020
2038	461,390
	\$ 3,102,460

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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.

GBP 2,264 (CAD \$3,871) of VAT was claimed during the year ended June 30, 2018 (2017 – GBP 2,527 (CAD \$4,249)).

GBP nil (CAD \$nil) of R&D was claimed during the year ended June 30, 2018 (2017 – GBP 22,097 (CAD \$37,157)).

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 is based on the Company's future capital or debt raises; a minimum of 10% of all amounts 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 \$35,960 for the year ended June 30, 2018 (2017 - \$61,623) in accretion costs in relation to this item. In total \$97,213 of accretion has been reported as expenses of the Company related to the initial \$187,500 discount resulting in \$90,287 to be reported in the future.

As at June 30, 2018, a cumulative total of \$272,276 (2017 - \$141,476) was designated to be repaid under the Agreement and the Company had paid \$272,276 (2017 - \$126,276). Accordingly, \$nil (2017 - \$15,200) is included in accounts payable.

13. COMMITMENTS AND CONTINGENT LIABILITIES

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, which 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 Company believes is without merit and which the Company plans to aggressively defend the claim. No reliable estimate can be made for any potential liability that might result in this case.

14. SUBSEQUENT EVENTS

On July 19, 2018, a total of 2,500,000 warrants expired on their expiry date (note 7).

On October 25, 2018, a total of 3,125,000 stock options expired unvested upon termination of employment of the option holder (note 7).