

MIDPOINT HOLDINGS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED JUNE 30, 2020 and 2019

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Independent Auditor's Report

To the Shareholders of Midpoint Holdings Ltd.:

Opinion

We have audited the consolidated financial statements of Midpoint Holdings Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2020 and June 30, 2019, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2020 and June 30, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$1,158,067 and used net cash in operations of \$922,437 during the year ended June 30, 2020. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Shaila Rani Mehta .

Mississauga, Ontario

October 28, 2020

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

MNP

MIDPOINT HOLDINGS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2020 AND 2019
(Expressed in Canadian dollars)

	June 30, 2020	June 30, 2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (note 3)	\$ 710,871	\$ 811,971
Accounts receivable (note 12)	-	1,011
Prepaid expenses	61,724	10,972
Total current assets	772,595	823,954
EQUIPMENT (note 5)	6,735	26,983
INVESTMENTS (note 4)	35,000	-
INTANGIBLES (notes 6)	-	286,793
TOTAL ASSETS	\$ 814,330	\$ 1,137,730
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 9)	\$ 160,145	\$ 237,725
Due to directors (note 9)	-	1,302
Current portion of settlement provision (note 12)	123,524	84,746
Total current liabilities	283,669	323,773
Settlement provision (note 13)	-	88,652
Total liabilities	283,669	412,425
SHAREHOLDERS' EQUITY		
Share capital (note 7)	13,553,017	12,995,864
Contributed surplus	1,408,873	1,408,873
Warrants and options reserves (note 7 and 8)	412,900	-
Accumulated deficit	(14,341,966)	(13,183,899)
Accumulative other comprehensive loss	(502,163)	(495,533)
Total shareholders' equity	530,661	725,305
	\$ 814,330	\$ 1,137,730

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

Commitments and Contingent Liabilities (note 14)

Subsequent Events (note 15)

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, 2020 AND 2019
(Expressed in Canadian dollars)

	June 30, 2020	June 30, 2019
REVENUE	\$ 427,531	\$ 399,255
COST OF SALES	175,336	135,615
GROSS MARGIN	252,195	263,640
EXPENSES		
Professional and consulting fees (note 9)	455,584	201,216
Wages (note 9)	257,337	82,812
Marketing	41,513	49,426
Filing fees and transfer fees	31,837	19,956
Rent	60,722	60,970
General and administrative expenses	58,975	62,830
Website and software operating costs	200,029	52,304
Depreciation and amortization (notes 5 and 6)	309,927	333,206
Value added tax recovery (note 12)	(767)	(3,362)
Accretion expense (note 13)	54,326	-
Total expenses	1,469,483	859,358
NET LOSS FOR THE YEAR BEFORE OTHER INCOME	(1,217,288)	(595,718)
OTHER INCOME		
Foreign exchange gain/(loss)	(2,478)	5,098
Interest income	223	6,281
Grant income	61,476	17,736
Total other income	59,221	29,115
NET LOSS FOR THE YEAR	(1,158,067)	(566,603)
ITEMS THAT WILL SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS		
Foreign currency translation adjustment	(6,630)	(20,087)
COMPREHENSIVE LOSS FOR THE YEAR	\$ (1,164,697)	\$ (586,690)
Basic and diluted weighted average shares outstanding	31,208,012	25,976,661
Basic and diluted net loss per share	\$ (0.037)	\$ (0.020)

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, 2020 AND 2019
(Expressed in Canadian dollars)

	June 30, 2020	June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (1,158,067)	\$ (566,603)
Items not affecting cash		
Depreciation and amortization	309,927	333,206
Accretion expense (note 13)	54,326	-
Share based payments (note 8)	-	(122,154)
	(793,814)	(355,551)
Net changes in non-cash working capital items relating to operating activities:		
Accounts receivable and prepaid expenses	(49,741)	6,120
Accounts payable, accrued liabilities and due to directors	(78,882)	66,513
Net cash used in operating activities	(922,437)	(282,918)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuance of common shares and warrants (note 7)	1,042,000	-
Issuance costs (note 7)	(71,947)	-
Repayment of settlement provision	(104,200)	-
Net cash provided by financing activities	865,853	-
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisitions of equipment and leasehold improvements	(3,860)	(9,816)
Acquisitions of intangible assets	-	(146,013)
Acquisitions of investment assets	(35,000)	-
Cash used in investing activities	(38,860)	(155,829)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(95,444)	(438,747)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	811,971	1,268,957
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES	(5,656)	(18,239)
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 710,871	\$ 811,971

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

MIDPOINT HOLDINGS LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019
(Expressed in Canadian dollars)

	Number of Shares Issued	Amount	Contributed Surplus	Warrants and Options Reserve	Accumulated Deficit	Accumulated Other Comprehensive Profit/(Loss)	Total Shareholders' Equity
Balance June 30, 2018 (note 7 (ix))	25,976,660	\$ 12,995,864	\$ 1,376,328	\$ 154,699	\$ (12,617,296)	\$ (475,446)	\$ 1,434,149
Expired warrants			154,699	(154,699)	-	-	-
Share based payments (note 8)	-	-	(122,154)	-	-	-	(122,154)
Net loss and comprehensive loss for the year	-	-	-	-	(566,603)	(20,087)	(586,690)
Balance June 30, 2019	25,976,660	\$ 12,995,864	\$ 1,408,873	\$ -	\$ (13,183,899)	\$ (495,533)	\$ 725,305
Private placement (note 7 (x))	13,025,000	629,100	-	412,900	-	-	1,042,000
Issuance costs (notes 7 (x))	-	(71,947)	-	-	-	-	(71,947)
Net loss and comprehensive loss for the year	-	-	-	-	(1,158,067)	(6,630)	(1,164,697)
Balance June 30, 2020	39,001,660	\$ 13,553,017	\$ 1,408,873	\$ 412,900	\$ (14,341,966)	\$ (502,163)	\$ 530,661

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, 2020 AND 2019
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

i) 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, 2013.

The Company now operates through two wholly owned subsidiaries in the United Kingdom and Hong Kong, Midpoint & Transfer Ltd. ("MPNT") and Midpoint Hong Kong Limited. ("MPHK"). 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.

ii) Going Concern

The ability of the Company to obtain necessary financing to market its platform, fund unmatched trades and recover administrative expenses is uncertain. The ability of the Company to generate revenue to offset the expenses and obtain profitability is also uncertain. The Company had a net loss of \$1,158,067 and net cash used in operations of \$922,437 for the year ended June 30, 2020 (2019 - \$282,918). The Company will require additional financing from time to time, which it intends to obtain through the issuances of common shares. While the Company has been successful in raising equity financing through the issuances of common shares in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern. As of June 30, 2020, the Company had cash and cash equivalents of \$710,871 (representing a decrease of \$101,100 from June 30, 2019).

As of June 30, 2020, the Company had positive working capital of \$488,926 as compared to positive working capital of \$500,181 as at June 30, 2019.

The Company plans to manage future liquidity risk by generating cash flow from operations and limiting expenses until the operations are profitable. If required, further financing can be sought.

iii) Emerging Risk

The recent outbreak of the coronavirus (COVID-19) may affect our business and operations. Since the outbreak of the pandemic in early 2020, management has been closely evaluating the potential impact on the Company's business and has been taking measures to mitigate its effects. As the Company has an international online operation, focus has been placed on staff safety and business continuity. However, as the pandemic continues and as official governmental guidelines evolve, the extent of disruption cannot be fully anticipated and its full impact on the business and its financial condition is uncertain.

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. The consolidated financial statements include the Company's wholly owned subsidiary, MPNT and MPHK. 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 28, 2020.

**MIDPOINT HOLDINGS LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019
(Expressed in Canadian dollars)**

2. SIGNIFICANT ACCOUNTING POLICIES – continued

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. The functional currency of MPHK is Hong Kong dollars.

Translation gains or losses resulting from the translation of the financial statements of MPNT and MPHK 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.

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, provision for taxes 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.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

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. MPHK is in start up stages with plans to run operations similar to the operations in the United Kingdom. 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.

**MIDPOINT HOLDINGS LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019
(Expressed in Canadian dollars)**

2. SIGNIFICANT ACCOUNTING POLICIES – continued

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 outlined below.

Internally generated intangible assets:

Software development

The Company incurs certain costs in connection with the development of software to be used internally 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 the software 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.

Intangible assets are measured at cost less accumulated amortization and accumulated impairment loss. Costs that qualify for capitalization include both internal and external costs. These costs are amortized over their remaining useful lives and has been fully amortized as at June 30, 2020 (2019 – 0.75 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 expired in March 2020.

MIDPOINT HOLDINGS LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019
(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES – continued

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, 2020 and 2019, 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.

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.

MIDPOINT HOLDINGS LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019
(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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.

IFRS 9 - Financial Instruments

IFRS 9 replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value either through profit or loss ("FVTPL") or through other comprehensive income ("FVOCI"); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics.

The following table shows classification under IFRS 9 for the Company's financial instruments:

Financial Instruments Classification	IFRS 9
Cash and cash equivalents	Amortized Cost
Accounts receivable	Amortized Cost
Investment	Fair Value Recognized in Profit or Loss
Accounts payable and accrued liabilities	Amortized Cost
Settlement provision	Amortized Cost

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 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 and Hong Kong subsidiaries in currencies other than Great British pounds (GBP) and Hong Kong dollars. The Canadian dollar equivalent value of all cash held in foreign denominated currencies as at June 30, 2020 is \$528,490 (2019 - \$413,387). Based on upon the net exposure as at June 30, 2020, a 12% depreciation or appreciation of the UK pound sterling relative to the Canadian dollar would result in approximately \$63,000 (2019 - 50,000) change in the Company's consolidated net loss and comprehensive loss.

MIDPOINT HOLDINGS LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019
(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$710,871 as at June 30, 2020 (2019 - \$811,971) to satisfy current liabilities of \$283,669 (2019 - \$323,773). 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.

The following are the Company's new accounting policies for financial instruments under IFRS 9:

Financial assets

Non-derivative financial assets within the IFRS 9 are classified as "financial assets at fair value (either through other comprehensive income ("FVOCI"), or through profit or loss ("FVPL"))", and "financial assets at amortized cost" as appropriate. The Company determines the classification of its financial assets at initial recognition based on the Company's business model and contractual terms of cash flows.

All financial assets are recognized initially at fair value plus, in the case of investments not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Where the fair values of financial assets recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

Financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of loss and comprehensive loss. The Company does not have any financial assets classified as at FVPL.

Financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading. After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss. The Company does not have any financial assets classified as at FVOCI.

Financial Assets at Amortized Cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of loss and comprehensive loss.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the asset.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Company's only financial assets subject to impairment accounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

The expected lifetime loss of a financial asset at amortized cost, is estimated based on the expected credit loss ("ECL"). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Financial liabilities

Non-derivative financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include trade payable and accrued liabilities which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

Financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost, in the consolidated statements of loss and comprehensive loss.

Financial liabilities at FVPL

Financial liabilities measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in the consolidated statement of loss and comprehensive loss. The Company does not have any financial liabilities classified as at FVPL.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gains or losses reported in other income or expense in the consolidated statements of loss and comprehensive loss.

Determination of fair values

The determination of fair value requires judgement and is based on market information, where available and appropriate. At the end of each financial reporting period, the Company's Management estimates the fair value of investments based on the criteria below and reflects the valuation in the financial statements.

Publicly traded investments (i.e. securities of issuers that are public companies):

- a) Securities including shares, options and warrants which are traded in an active market, such as on a recognized securities exchange and for which no sales restrictions apply, are presented at fair value based on quoted trading prices at the end of the reporting period or the closing trade price on the last day the security traded if there were no trades at the end of the reporting period. These are included in Level 1.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Private company investments (i.e. securities of issuers that are not public companies):

The determinations of fair value of the Company's privately-held investments at other than initial cost are subject to certain limitations. Financial information for private companies in which the Company has investments may not be available and, even if available, that information may be limited and/or unreliable. Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these techniques may not be realized or realizable. Company-specific information is considered when determining whether the fair value of a privately-held investment should be adjusted upward or downward at the end of each reporting period. In addition to company specific information, the Company will take into account trends in general market conditions and the share performance of comparable publicly traded companies when valuing privately-held investments. The absence of the occurrence of any of these events, any significant change in trends in general market conditions, or any significant change in share performance of comparable publicly-traded companies indicates generally that the fair value of the investment has not materially changed. The private company shares may be valued based on the pricing of a recent significant financing. Adjustments to the fair value of a privately-held investment will be based upon Management's judgment and any value estimated may not be realized or realizable. The resulting values for non-publicly traded investments may differ from values that would be realized if a ready market existed. The amounts at which the Company's privately-held investments could be disposed of currently may differ from the carrying value assigned.

IFRS 15 — Revenue from Contracts with Customers

The Company recognizes revenue when it transfers control of its services to the customer. This is achieved by applying the following five steps: i) identify the contract with a customer; ii) identify the performance obligations in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; and v) recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue is recognized when the service provided to the customer is complete. Specifically:

Revenue is recognized once the Company's receives funds, including the Company's fee, from the customer at which time pre matched foreign currency is released and transferred to the customer's beneficiary. It is at this point where the Company's performance obligation is met.

IFRS 16 – Leases

Effective July 1, 2019 (hereafter referred to as the "date of initial application"), the Company adopted IFRS 16 Leases as issued by the IASB in January 2016. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and lessor. The standard supersedes the requirements in IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2019 has not been restated. It remains as previously reported under IAS 17 and related interpretations. On initial application, the Company has elected to record right-of-use assets based on the corresponding lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Company has elected to apply the practical expedient of low value assets and to account for leases for which the lease term ends within 12 months of the date of initial application as short-term transactions. For these leases, the Company recognizes the lease payments as an expense on a straight-line basis over the lease term. The Company applied the definition of a lease under IFRS 16 to contracts entered into or change on or after July 1, 2019. The company has one lease which falls within the scope of IFRS 16. There was no right of use asset or liability set up for the lease based on the practical expedients elected.

The Company's incremental borrowing rate is used to estimate the initial value of the lease liability and associated right of use asset. The Company's incremental borrowing rate is determined with reference to the borrowing rate for a similar asset within a country for a similar lease team.

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3. CASH AND CASH EQUIVALENTS

At June 30, 2020 the Company had cash and cash equivalents of \$710,871 (2019 - \$811,971). The Company maintains cash in various banks in Canada and the United Kingdom. The balances in cash and cash equivalents comprise:

	June 30, 2020	June 30, 2019
Cash	\$ 710,474	\$ 805,411
Funds held in trust	397	6,560
	\$ 710,871	\$ 811,971

Funds are held in trust are for future minor disbursements paid on behalf of the company by the corporate lawyer.

4. INVESTMENTS

The Company participated in a private placement with private company on June 15, 2020. The company invested \$35,000 in 75,000 shares of a private company in Canada. The investment in the company is record at fair value as at year end. The asset is revalued at every period based on the company's latest raise. It has been determined the value of the investment has not been impaired in any way as of the date of the financial statements.

5. EQUIPMENT

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

	June 30, 2020	June 30, 2019
Cost		
Balance, at beginning of year	\$ 92,134	\$ 84,147
Additions	3,860	9,816
Effect of changes in foreign exchange rates	(974)	(1,829)
Balance, at end of year	95,020	92,134
Accumulated Depreciation		
Balance, at beginning of year	65,151	39,556
Depreciation for year	23,134	25,595
Balance, at end of year	88,285	65,151
Net Book Value	\$ 6,735	\$ 26,983
Comprised as follows:		
Computer and office equipment	\$ 6,735	\$ 26,983

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6. INTANGIBLES

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

	June 30, 2020	June 30, 2019
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	213,588	199,877
Amortization for year	7,141	13,711
Balance, at end of year	220,729	213,588
Net Book Value	\$ -	\$ 7,141
Software		
Cost		
Balance, at beginning of year	\$ 1,024,181	\$ 878,168
Additions	-	146,013
Balance, at end of year	1,024,181	1,024,181
Accumulated Amortization		
Balance, at beginning of year	744,529	450,628
Amortization for year	279,652	293,901
Balance, at end of year	1,024,181	744,529
Net Book Value	-	279,652
Total Net Intangibles	\$ -	\$ 286,793

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7. SHARE CAPITAL

Authorized Share Capital

As at June 30, 2020 and 2019, the Company had authorized unlimited common shares.

Equity Activity

A summary of share transactions is as follows:

The Company on January 28, 2020 consolidated its capital on a one-new for four-old basis. Prior period basic and diluted weighted average shares outstanding have been adjusted due to the consolidation on January 28, 2020 on a one-new for four-old basis for comparative purposes and all transaction list below have been adjusted to reflect the consolidation

- (i) On July 4, 2016 and July 19, 2016, the Company completed two tranches of a private placement for a total of 1,250,000 units at a price of \$0.20 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 \$0.80 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 (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 - \$0.24; exercise price - \$0.80; 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 - \$0.24; exercise price - \$0.80; 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 400,000 shares at a price of \$0.20 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 1,625,000 units at a price of \$0.20 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 \$0.80 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 - \$0.20; exercise price - \$0.80; 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 760,000 units at a price of \$0.20 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 \$0.80 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 (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 - \$0.16; exercise price - \$0.80; expected

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7. SHARE CAPITAL (continued)

life – 24 months; annualized volatility – 167%; quarterly dividend yield – 0%; risk-free rate – 1.090%.

- (v) On July 14, 2017 the Company completed the second of two tranches of a private placement for a total of 240,000 units at a price of \$0.20 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 \$0.80 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 - \$0.16; exercise price - \$0.80; expected life – 24 months; annualized volatility – 167%; quarterly dividend yield – 0%; risk-free rate – 1.090%.

- (vii) On October 27, 2017 the Company completed a private placement for a total of 4,000,000 units at a price of \$0.30 per unit 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.

- (viii) In January 2018 the 75,000 warrants were exercised at an exercise price of \$0.80 per share for total proceeds of \$60,000.

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

- (ix) On January 28, 2020 the common shares of the Company consolidated its capital on a one-new for four-old basis. Prior period basic and diluted weighted average shares outstanding have been adjusted due to the consolidation on January 28, 2020 on a one-new for four-old basis for comparative purposes.

- (x) On February 5, 2020 the Company completed a private placement for a total of 13,025,000 units at a price of \$0.08 per unit for total proceeds of \$1,042,000. Each unit comprises one common share and one common share purchase warrant exercisable at \$0.20 for 36 months from closing.

Share issue costs of \$71,947 were incurred.

The net proceeds from the financing were allocated proportionally based on the fair value of one common share (55%) and the fair value of one half of one common share purchase warrant (45%).

The fair value of the February 5, 2020 common share purchase warrants was \$412,900 which was estimated using the Black Scholes option pricing model and the following weighted average assumptions: share price - \$0.10; exercise price - \$0.20; expected life – 36 months; annualized volatility – 151%; quarterly dividend yield – 0%; risk-free rate – 1.460%.

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8. WARRANTS AND OPTIONS RESERVES

Warrants

The following table summarizes the Company's warrant activity:

	Number	Weighted Average Exercise Price
Outstanding June 30, 2018	1,862,500	\$ 0.80
Expired	(1,862,500)	\$ 0.80
Outstanding June 30, 2019	-	\$ -
Issued with private placements (notes 6 (x))	13,025,000	\$ 0.20
Outstanding, June 30, 2020	13,025,000	\$ 0.20

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, 2020	-	\$ -

The Company recognized \$nil stock-based compensation expense for the year ended June 30, 2020. An expense recovery of \$122,154 was recognized in the fiscal year of 2019.

9. 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 \$166,283 (2019 - \$140,912).

Accounts payable to directors in the statement of financial position is \$nil (2019 - \$1,302).

For the year ended June 30, 2020, the Company paid C. Comishin & Associates Inc., a company controlled by shareholders and a Board member, \$37,800 (2019 - \$40,754) for accounting services provided. As at June 30, 2020 \$9,450 of the fees remained in accounts payable (2019 - \$37,800). The Company also paid rental services to a company controlled by a director of \$nil (2019 - \$45,397). For the year ended June 30, 2020, the Company paid 1018784 B.C. Ltd., a company controlled by shareholders and a Board member, \$25,000 (2019 - \$nil) for consulting services provided. For the year ended June 30, 2020, the Company paid David Wong a Board member, \$25,000 (2019 - \$nil) for consulting services provided.

Stock based compensation paid to directors is \$Nil (2019 - \$Nil).

Also included in expenses is a settlement provision and accretion expense for a former member of key management (note 13).

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10. 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, 2020, and the year ended June 30, 2019. 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, 2020, the Company met this requirement.

11. INCOME TAX

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 27% (2019 – 26%) to the effective tax rate is as follows:

	June 30, 2020	June 30, 2019
Net loss before recovery of income taxes	\$ (1,158,067)	\$ (566,603)
Expected income tax recovery at 27% (2019 – 26%)	\$ (312,680)	\$ (150,150)
Difference in foreign tax rates	(760)	15,080
Non-deductible expenses	(18,510)	(31,900)
Share issuance cost booked directly to equity	(19,430)	-
Book to filing adjustments	-	109,620
Change in tax benefits not recognized	351,380	57,350
Income tax recovery reflected in the statement of operations	\$ -	\$ -

Deferred Tax Assets

	June 30, 2020	June 30 2019
Non-Capital losses carried forward	\$ 360	\$ 4,742

Deferred Tax Liabilities

Property, plant and equipment and intangibles	\$ 360	\$ 4,742
Net deferred tax liability	\$ -	\$ -

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

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11. INCOME TAX (continued)

Unrecognized deferred tax assets

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	\$ 4,303,380	\$ 3,644,300
Non-Capital losses carried forward – United Kingdom	\$ 2,360,880	\$ 2,154,991
Property, plant and equipment	\$ 161,370	\$ 11,045
Share issue costs	\$ 117,120	\$ 98,773
Reserves	\$ 123,520	\$ 173,398
Totals	\$ 7,066,270	\$ 6,082,507

United Kingdom losses may be carried forward indefinitely.

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

Share issue and financing costs will be fully amortized in 2024.

The remaining deductible temporary differences may be carried forward indefinitely.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilized the benefits therefrom.

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

2031	\$ 175,230
2032	316,340
2033	194,730
2034	160,490
2035	335,760
2036	791,850
2037	948,020
2038	476,590
2039	83,830
2040	820,540
	\$ 4,303,380

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12. ACCOUNTS RECEIVABLE

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 \$nil (CAD \$nil) of VAT was claimed during the year ended June 30, 2020 (2019 - GBP 608 (CAD \$1,011)).

13. 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 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 \$54,326 for the year ended June 30, 2020 (2019 - \$nil) in accretion costs during the year in relation to this item. In total 100% of the accretion expenses have been reported as expenses of the Company related to the initial \$187,500 discount. No amount is remaining for future expense of the Company.

As at June 30, 2020, a cumulative total of \$376,476 (2019 - \$272,276) was designated to be repaid under the Agreement and the Company had paid \$104,200 (2019 - \$nil) in current year as per the financing completed in current year. Accordingly, \$nil (2019 - \$nil) is included in accounts payable. The balance outstanding as at year end for the settlement provision was \$123,524 (2019 - \$173,398) which was paid subsequent to year end.

On July 9, 2020, the Company paid \$25,000 as per the financing completed.

On October 26, 2020, the Company paid \$98,524. This being the remaining balance outstanding as part of a settlement with the former CEO. As a result, a full release from the severance agreement has executed and settlement has been fully repaid.

14. 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.

On October 27, 2020 the Company and John Booth settled the civil claim. In conjunction with the settlement Mr. Booth provided a full release to the Company of all actions and damages previously sought under the civil claim.

The Company's lease arrangement for office space in London, United Kingdom ends in May 2021 and the annual lease commitment is approximately \$54,836.

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15. SUBSEQUENT EVENTS

On July 9, 2020 the Company completed a private placement for a total of 2,500,000 units at a price of \$0.10 per unit for total proceeds of \$250,000. Each unit comprises one common share and one common share purchase warrant exercisable at \$0.20 for 24 months from closing. As a result of the severance agreement \$25,000 of the agreement was paid to the former CEO.

On October 26, 2020 as part of the settlement of the civil claim the remaining portion of the severance agreement was paid in full resulting in a payment of \$98,524 to the former CEO John Booth. The result of this was to move the entire portion owed to current liabilities as 100% has been paid in full in the subsequent period. A full release of the company's obligations under the severance agreement has been fulfilled. The resulting transaction caused the full discount of the severance costs to be expensed in the current period resulting in \$54,326 of Accretion expense to be reported in current period as there is no expected discount to be expense in the future because of the transaction.

On October 27, 2020 the Company and John Booth settled the civil claim. In conjunction with the settlement Mr. Booth provided a full release to the Company of all actions and damages previously sought under the civil claim.