

**BLOCKMATE VENTURES INC.
(FORMERLY MIDPOINT HOLDINGS LTD.)**

**CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)**

FOR THE YEARS ENDED JUNE 30, 2022 and 2021

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

| | |
|---------------------------------------------------------------------|---------------------|
| INDEPENDENT AUDITORS' REPORT | PAGE 1 - 3 |
| CONSOLIDATED STATEMENTS OF FINANCIAL POSITION | PAGE 4 |
| CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS | PAGE 5 |
| CONSOLIDATED STATEMENTS OF CASH FLOWS | PAGE 6 |
| CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY | PAGE 7 |
| NOTES TO CONSOLIDATED FINANCIAL STATEMENTS | PAGES 8 - 22 |



KINGSTON
ROSS
PASNAK LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Suite 1500, 9888 Jasper Avenue NW
Edmonton, Alberta T5J 5C6
T. 780.424.3000 | F. 780.429.4817 | W. krpgroup.com

October 26, 2022
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Blockmate Ventures Inc.

Opinion

We have audited the consolidated financial statements of Blockmate Ventures Inc. (the Company), which comprise the consolidated statements of financial position as at June 30, 2022, and the consolidated statements of operations and comprehensive loss, shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2022, and the consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Emphasis of Matter - Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended June 30, 2022 and, as of that date, the Company had an accumulated deficit. 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 Matter

The consolidated financial statements for the year ended June 30, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on November 2, 2021.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, which includes Management's Discussion and Analysis.

(continues)

Independent Auditor's Report to the Shareholders of Blockmate Ventures Inc. *(continued)*

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, 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 in this auditor's report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(continues)

Independent Auditor's Report to the Shareholders of Blockmate Ventures Inc. *(continued)*

- 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Justin Rousseau.

Kingston Ross Pasmak LLP

Kingston Ross Pasmak LLP

Chartered Professional Accountants

BLOCKMATE VENTURES INC. (FORMERLY MIDPOINT HOLDINGS LTD.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2022 AND 2021
(Expressed in Canadian dollars)

| | Notes | June 30, 2022 | June 30, 2021 |
|---------------------------------------------------|-------|------------------|------------------|
| | | \$ | \$ |
| ASSETS | | | |
| Current | | | |
| Cash | 3 | 740,389 | 2,984,005 |
| Accounts receivables | 4 | 11,504 | 27,272 |
| Prepaid expenses | | 19,460 | 19,771 |
| | | <u>771,353</u> | <u>3,031,048</u> |
| Non-current | | | |
| Equipment | 5 | 22,866 | 8,586 |
| Intangibles | 6 | - | 27,572 |
| TOTAL ASSETS | | <u>794,219</u> | <u>3,067,206</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current | | | |
| Accounts payable and accrued liabilities | 9 | 378,927 | 156,083 |
| Due to directors | 9 | 6,250 | - |
| | | <u>385,177</u> | <u>156,083</u> |
| Shareholders' equity | | | |
| Share capital | 7 | 18,072,791 | 15,856,930 |
| Contributed surplus | | 1,408,873 | 1,408,873 |
| Warrants and options reserves | 8 | 1,260,800 | 1,260,800 |
| Accumulated deficit | | (19,767,398) | (15,128,510) |
| Accumulative other comprehensive loss | | (566,024) | (486,970) |
| Total shareholders' equity | | <u>409,042</u> | <u>2,911,123</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | <u>794,219</u> | <u>3,067,206</u> |

Commitments and Contingent Liabilities (note 13)

Subsequent Events (note 14)

Approved on behalf of the Board on October 26, 2022:

Signed: "Georg Hochwimmer"

Director

Signed: "Domenic Carosa"

Director

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

BLOCKMATE VENTURES INC. (FORMERLY MIDPOINT HOLDINGS LTD.)
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
(Expressed in Canadian dollars)

| | Notes | 2022 | 2021 |
|--------------------------------------------------|-------|--------------------|------------------|
| | | \$ | \$ |
| REVENUE | | 435,779 | 388,314 |
| COST OF SALES | | (231,719) | (180,012) |
| GROSS MARGIN | | 204,060 | 208,302 |
| EXPENSES | | | |
| Amortization and depreciation | 5,6 | 108,909 | 25,740 |
| Filing fees and transfer fees | | 24,365 | 29,337 |
| General and administrative | | 211,818 | 66,342 |
| Marketing | | 134,729 | 72,714 |
| Professional and consulting fees | 9 | 771,806 | 393,977 |
| Rent | | 67,059 | 53,829 |
| Software development and website | | 233,898 | 136,563 |
| Value added tax repaid | | - | 400 |
| Wages | 9 | 740,374 | 296,187 |
| | | 2,292,958 | 1,075,089 |
| NET LOSS FOR THE YEAR BEFORE OTHER INCOME | | (2,088,898) | (866,787) |
| OTHER ITEMS | | | |
| Foreign exchange gain (loss) | | 8,032 | (11,966) |
| Grant income | | 29,949 | 127,200 |
| Premium on acquisition of subsidiary | 10 | (2,250,000) | - |
| Impairment on intangibles and equipment | 5,6 | (341,790) | - |
| Interest income | | 3,819 | 9 |
| Fair value adjustment of investments | | - | (35,000) |
| Total other loss | | (2,549,990) | 80,243 |
| NET LOSS FOR THE YEAR | | (4,638,888) | (786,544) |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | |
| Foreign currency translation | | (79,054) | 15,193 |
| COMPREHENSIVE LOSS FOR THE YEAR | | (4,717,942) | (771,351) |
| Basic weighted average shares outstanding | | 56,834,993 | 44,675,632 |
| Basic net loss per share | | (0.08) | (0.02) |
| Diluted weighted average shares outstanding | | 77,109,993 | 51,025,860 |
| Diluted net loss per share | | (0.06) | (0.02) |

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

BLOCKMATE VENTURES INC. (FORMERLY MIDPOINT HOLDINGS LTD.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
(Expressed in Canadian dollars)

| | Notes | 2022 | 2021 |
|-------------------------------------------------------------|-------|--------------------|------------------|
| | | \$ | \$ |
| OPERATING ACTIVITIES | | | |
| Net loss for the year | | (4,638,888) | (786,544) |
| Items not affecting cash: | | | |
| Amortization and depreciation | 5,6 | 108,909 | 25,740 |
| Premium on acquisition of subsidiary | 7,10 | 2,250,000 | |
| Impairment on intangibles and equipment | 5,6 | 341,790 | |
| Fair value adjustment of investments | | - | 35,000 |
| | | <u>(1,938,189)</u> | <u>(725,804)</u> |
| Changes in non-cash working capital items: | | | |
| Accounts receivable and prepaid expenses | | 16,079 | 14,681 |
| Accounts payable, accrued liabilities and due to directors | | 229,094 | (4,062) |
| | | <u>(1,693,016)</u> | <u>(715,185)</u> |
| FINANCING ACTIVITIES | | | |
| Repayment of settlement provision | | - | (123,524) |
| Share issuance costs | | (34,139) | - |
| | | <u>(34,139)</u> | <u>(123,524)</u> |
| Net cash provided by financing activities | | <u>(34,139)</u> | <u>(123,524)</u> |
| INVESTING ACTIVITIES | | | |
| Acquisitions of equipment | 5 | (358,936) | (10,528) |
| Acquisitions of intangible assets | 6 | (78,041) | (41,357) |
| | | <u>(436,977)</u> | <u>(51,885)</u> |
| Net cash used by investing activities | | <u>(436,977)</u> | <u>(51,885)</u> |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | | (2,164,132) | 2,261,219 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR | | 2,984,005 | 710,871 |
| EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES | | (79,484) | 11,915 |
| | | <u>740,389</u> | <u>2,984,005</u> |
| CASH AND CASH EQUIVALENTS, END OF THE YEAR | | 740,389 | 2,984,005 |

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

BLOCKMATE VENTURES INC. (FORMERLY MIDPOINT HOLDINGS LTD.)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
(Expressed in Canadian dollars)

| | Number of Common Shares | Share Capital | Contributed Surplus | Warrants and Options Reserve | Accumulated Deficit | Accumulated Other Comprehensive Profit/(Loss) | Total Shareholders' Equity |
|----------------------------------------------|-------------------------------|-------------------|------------------------|------------------------------------|------------------------|--------------------------------------------------------|----------------------------------|
| | | \$ | | \$ | \$ | \$ | \$ |
| Balance, June 30, 2020 | 39,001,660 | 13,553,017 | 1,408,873 | 412,900 | (14,341,966) | (502,163) | 530,661 |
| Private placement (note 7) | 14,500,000 | 2,402,100 | - | 847,900 | - | - | 3,250,000 |
| Issuance costs (note 7) | - | (98,187) | - | - | - | - | (98,187) |
| Net loss and comprehensive loss for the year | - | - | - | - | (786,544) | 15,193 | (771,351) |
| Balance, June 30, 2021 | 53,501,660 | 15,856,930 | 1,408,873 | 1,260,800 | (15,128,510) | (486,970) | 2,911,123 |
| Balance, June 30, 2021 | 53,501,660 | 15,856,930 | 1,408,873 | 1,260,800 | (15,128,510) | (486,970) | 2,911,123 |
| Acquisition of subsidiary (note 7,10) | 10,000,000 | 2,250,000 | - | - | - | - | 2,250,000 |
| Issuance costs (note 7) | - | (34,139) | - | - | - | - | (34,139) |
| Net loss and comprehensive loss for the year | - | - | - | - | (4,638,888) | (79,054) | (4,717,942) |
| Balance, June 30, 2022 | 63,501,660 | 18,072,791 | 1,408,873 | 1,260,800 | (19,767,398) | (566,024) | 409,042 |

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

BLOCKMATE VENTURES INC. (FORMERLY MIDPOINT HOLDINGS LTD.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Blockmate Ventures Inc. (Formerly 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 its wholly owned subsidiaries in the United Kingdom and Hong Kong, Blockchain World Ltd. ("BWL"), Midpoint & Transfer Ltd. ("MPNT") and Midpoint Hong Kong Limited. ("MPHK"). BWL owns the premium domain names Blockchain.eu (Europe), Blockchain.com.au (Australia) and Hivello.com. MPNT 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.

There is no assurance that the Company's business will result in future profitable operations. The business is subject to risk, market conditions, supply and demand, and competition. The Company currently has cash available to meet its administrative overhead and maintain its assets. The recoverability of amounts shown in assets is dependent on several factors. These factors include the ability of the Company to obtain financing to complete the planned growth, reduction of operating expenses, and future cashflow from the Company's business.

However, there can be no assurance that the Company will be able to continue to raise funds in the future in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statement of financial position.

These consolidated financial statements have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. On June 30, 2022, the Company had working capital of \$386,176 (June 30, 2021: \$2,874,965). On June 30, 2022, the Company also had an accumulated deficit of \$19,767,398 (June 30, 2021: \$15,128,510).

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, BWL, MPNT and MPHK. All significant intercompany accounts and transactions have been eliminated as a result of consolidation (note 7). During the year ended June 30, 2022, the Company completed its Qualifying Transaction and acquired all of the issued and outstanding BWL shares. As a result of the transaction, the Company obtained 100% of the common shares of the entity (Note 7 and 10).

These consolidated financial statements were approved and authorized by the Board of Directors of the Company on October 26, 2022.

BLOCKMATE VENTURES INC. (FORMERLY MIDPOINT HOLDINGS LTD.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
(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 BWL and 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 BWL, 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 and judgements are the valuation of intangible assets, valuation of impairment on investment, share based transactions, provision for taxes, valuation of warrants, valuation of the settlement provision and determination of a business combination.

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.

BLOCKMATE VENTURES INC. (FORMERLY MIDPOINT HOLDINGS LTD.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination

Business combinations, except for transactions between entities under common control, are accounted for using the acquisition method. Under this method, consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities assumed by the Company and equity interests issued in exchange for control of the acquired company. Acquisition - related costs and gain on bargain purchase are recognized in profit or loss as incurred. Again on bargain purchase arises when the sum of the fair value of identifiable net assets exceeds the fair value of the consideration paid.

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 |
| Plant and machinery | 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 estimated at 3 years as at June 30, 2022 (2021 – 3 years). Residual values are reviewed at the end of each reporting period and adjusted if appropriate. Management estimated useful life of its software to be 3 years as at June 30, 2022. During the year ended June 30, 2022, the Company identified indicators of impairment with respect to its software, and therefore recognized an impairment loss of \$88,633 (2021 - \$Nil).

BLOCKMATE VENTURES INC. (FORMERLY MIDPOINT HOLDINGS LTD.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Domains

Domains are stated at cost, which primarily consist of legal costs in relation to their applications. Domains are amortized using the straight-line method over fifteen years.

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, 2022, the Company identified indicators of impairment with respect to its software and equipment, and therefore recognized an impairment loss of \$341,790 (2021 - \$Nil).

Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase. Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each CGU, or groups of CGU, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

On disposal of CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

BLOCKMATE VENTURES INC. (FORMERLY MIDPOINT HOLDINGS LTD.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except that it relates to items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

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

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.

BLOCKMATE VENTURES INC. (FORMERLY MIDPOINT HOLDINGS LTD.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

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

Credit risk

Financial instruments that could expose the Company to credit risk are primarily cash and cash equivalents and accounts receivable. The Company has deposited its cash in financial institutions with good reputations, and management considers the risk of losses to be negligible. Accounts receivable consist of value added tax and 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, 2022 is \$448,636 (June 30, 2021 - \$709,188). Based on upon the net exposure as at June 30, 2022, a 12% depreciation or appreciation of the UK pound sterling relative to the Canadian dollar would result in approximately \$52,000 (2021 – \$72,000) change in the Company's consolidated net loss and comprehensive loss.

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 of \$740,389 as at June 30, 2022 (June 30, 2021 - \$2,984,005) to satisfy current liabilities of \$385,177 (June 30, 2021 - \$156,083). Based on the positive working capital at the end of the reporting period, the Company has no significant liquidity risk.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

BLOCKMATE VENTURES INC. (FORMERLY MIDPOINT HOLDINGS LTD.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (continued)

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.

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 has investments of \$nil (June 30, 2021 - \$nil) 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.

The following table shows financial assets measured at amortized cost:

| | |
|-------------|----------------|
| Cash | Amortized Cost |
| Receivables | Amortized Cost |

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.

BLOCKMATE VENTURES INC. (FORMERLY MIDPOINT HOLDINGS LTD.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (continued)

Impairment of financial assets

The Company's only financial assets subject to impairment are 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.

Investments

All privately-held investments are initially recorded at the transaction price, being the fair value at the date of acquisition. Thereafter, at each reporting period, the fair value of an investment may (depending upon the circumstances) be adjusted using one or more of the valuation indicators. 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."

BLOCKMATE VENTURES INC. (FORMERLY MIDPOINT HOLDINGS LTD.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, accrued liabilities and due to directors 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.

The following table shows financial liabilities at amortized cost:

| | |
|----------------------------------|----------------|
| Payables and accrued liabilities | Amortized Cost |
|----------------------------------|----------------|

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.

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

When customers place an order, they are charged a fixed fee by the Company. The Company incorporates a band system to calculate fees on transactions as below:

BLOCKMATE VENTURES INC. (FORMERLY MIDPOINT HOLDINGS LTD.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 15 — Revenue from Contracts with Customers (continued)

| Transaction value (in GBP) | Fees |
|----------------------------|-------|
| £1 – 2,000 | £10 |
| £2,001 – 25,000 | 0.50% |
| £25,001 – 50,000 | 0.45% |
| £50,001 – 75,000 | 0.40% |
| £75,001 – 100,000 | 0.35% |
| £100,001+ | 0.30% |

The percentage of the Midpoint fee decreases with every GBP 25,000.00 or equivalent currency transacted, up until 100,000.00 and the remainder is calculated at 0.30%.

IFRS 16 – Leases

On January 2016, the IASB issued IFRS 16 which replaces IAS 17 Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The implementation of these amendments did not have an impact on the consolidated financial statements as the Company has elected to apply the requirements to short-term leases and leases for which the underlying asset is of low value.

3. CASH

At June 30, 2022, the Company had cash of \$740,389 (June 30, 2021 - \$2,984,005). The Company maintains cash in various banks in Canada, the United Kingdom and Hong Kong.

4. ACCOUNTS RECEIVABLE

During the year, the Company filed claims with HM Revenue and Customs for value added taxes (“VAT”). The Company had a VAT balance of \$11,504 as at June 30, 2022 (June 30, 2021 - \$27,272).

5. EQUIPMENT

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

| | June 30, 2022 | June 30, 2021 |
|---------------------------------------------|----------------------|----------------------|
| | \$ | \$ |
| Cost | | |
| Balance, beginning of the year | 108,826 | 95,020 |
| Additions | 358,936 | 10,528 |
| Effect of changes in foreign exchange rates | (17,069) | 3,278 |
| Balance, end of the year | 450,693 | 108,826 |
| Accumulated Depreciation | | |
| Balance, beginning of the year | 100,240 | 88,285 |
| Depreciation for the year | 91,047 | 11,955 |
| Impairment during the year | 253,157 | - |
| Effect of changes in foreign exchange rates | (16,617) | - |
| Balance, at end of year | 427,827 | 100,240 |

BLOCKMATE VENTURES INC. (FORMERLY MIDPOINT HOLDINGS LTD.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
(Expressed in Canadian dollars)

5. EQUIPMENT (Continued)

| | | |
|-------------------------------|---------------|--------------|
| Net Book Value | 22,866 | 8,586 |
| Comprised as follows: | | |
| Computer and office equipment | 22,866 | 8,586 |

6. INTANGIBLES

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

| | June 30, 2022 | June 30, 2021 |
|---------------------------------------------|----------------------|----------------------|
| | \$ | \$ |
| Cost | | |
| Balance, beginning of the year | 41,357 | - |
| Additions | 78,041 | 41,357 |
| Effect of changes in foreign exchange rates | 882 | - |
| Balance, end of the year | 120,280 | 41,357 |
| Accumulated Depreciation | | |
| Balance, beginning of the year | 13,785 | - |
| Depreciation for the year | 17,862 | 13,785 |
| Impairment during the year | (88,633) | - |
| Balance, at end of year | 120,280 | 13,785 |
| Net Book Value | - | 27,572 |
| Comprised as follows: | | |
| Software development | - | 27,572 |

7. SHARE CAPITAL

Authorized

As at June 30, 2022 and 2021, the Company had authorized unlimited common shares.

Equity Activity

A summary of share transactions is as follows:

- i) On March 25, 2021, the Company completed a private placement for a total of 12,000,000 units at a price of \$0.25 per unit for total proceeds of \$3,000,000. Each unit comprises one common share and one half of one common share purchase warrant exercisable at \$0.35 for 24 months from closing and share issue costs of \$67,392 were incurred. The net proceeds from the financing were allocated proportionally based on the fair value of one common share (73%) and the fair value of one half of one common share purchase warrant (27%).

The fair value of the March 25, 2021 common share purchase warrants was estimated using the Black Scholes option pricing model and the following weighted average assumptions: share price - \$0.355; exercise price - \$0.35; expected life – 24 months; annualized volatility – 157%; quarterly dividend yield – 0%; risk-free rate – 0.230%.

- ii) On March 15, 2022, the company completed an acquisition of Blockchain World Ltd. In consideration for the transaction the Company issued 10,000,000 common shares with a fair value of \$2,250,000 to the existing shareholders of Blockchain World Ltd (note 10) and paid issuance costs of \$34,139. The consideration shares are subject to restrictions on resale until September 14, 2022.

BLOCKMATE VENTURES INC. (FORMERLY MIDPOINT HOLDINGS LTD.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
(Expressed in Canadian dollars)

8. WARRANTS AND OPTIONS RESERVES

Warrants

There were no additional warrants granted during the year ended June 30, 2022. The following table summarizes the Company's warrant activity:

| | Number | Weighted Average Exercise Price |
|-----------------------------------|-------------------|---------------------------------------|
| | | \$ |
| Outstanding, June 30, 2020 | 13,025,000 | 0.20 |
| Issued with private placements | 1,250,000 | 0.20 |
| Issued with private placements | 6,000,000 | 0.35 |
| Outstanding, June 30, 2021 | 20,275,000 | 0.24 |
| Granted | - | - |
| Exercised | - | - |
| Outstanding, June 30, 2022 | 20,275,000 | 0.24 |

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.

There were no options granted and the Company recognized \$nil stock-based compensation expense for the year ended June 30, 2022(2021 - \$nil).

9. KEY MANAGEMENT COMPENSATION AND RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Related party corporations:

C. Comishin & Associates Inc. – Director
Zeus Capital Ltd. – CFO

Remuneration attributed to key management personnel can be summarized as follows:

| | For the year ended June 30, 2022 | For the year ended June 30, 2021 |
|-------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|
| | \$ | \$ |
| Salaries and benefits (Included in professional & consulting fees, and wages) | 375,578 | 180,764 |
| Consulting fees (Included in professional & consulting fees) | 136,500 | 132,725 |
| Total | 512,078 | 313,489 |

Accounts payable to directors in the statement of financial position is \$6,250 as of June 30, 2022 (June 30, 2021 - \$nil).

BLOCKMATE VENTURES INC. (FORMERLY MIDPOINT HOLDINGS LTD.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
(Expressed in Canadian dollars)

10. ACQUISITION OF SUBSIDIARY

On March 15, 2022, the Company completed its Qualifying Transaction and acquired all of the issued and outstanding Blockchain World Ltd. shares. The Company issued a total of 10,000,000 common shares. As a result of the transaction, the Company obtained 100% of the common shares of the entity. Only the assets, liabilities, and the results of operations of Blockchain World Ltd. after March 15, 2022 are included in these consolidated financial statements.

Since the Company issued shares to Blockchain World Ltd. shareholders with a value in excess of the assets received, the difference is assigned to premium on acquisition of subsidiary of \$2,250,000 which is the difference between fair value of the consideration and the net identifiable assets at the time of acquisition.

The acquisition of BWL does not constitute a business combination because the entity does not meet the definition of a business under IFRS 3 – Business Combination. As a result, the transaction has been measured at the fair value of equity consideration issued to acquire this entity.

The purchase price was determined based on IFRS 2 – Share Based Payments.

The fair value of the consideration is determined based on the fair value of the shares that the accounting parent would have had to issue. The fair value of these shares, based on the consideration received for the common shares issued is \$2,250,000.

| | |
|------------------------------------------------------------------------------------------|-----------|
| | \$ |
| Fair value of shares issued by Blockmate Ventures Inc. (Formerly Midpoint Holdings Ltd.) | 2,250,000 |
| Net assets of Blockchain World Ltd. | - |
| <hr/> | |
| Premium on acquisition of subsidiary | 2,250,000 |

At the date of issuance of the equity instruments, a synergy was obtained through the acquisition of executive leadership from BWL, which did not qualify for recognition as an asset, therefore was immediately recognized as an expense. The \$2,250,000 attributed to the executive leadership is recorded as consideration paid in excess of net assets acquired from acquisition in the consolidated statement of net loss and comprehensive net loss.

The premium of acquisition of subsidiary of \$2,250,000 are a non-cash expense item that represents the excess fair value associated with the shares issued on Closing of the Qualifying Transaction over the fair value of the net assets acquired by the accounting acquirer. Prior to Closing the net asset value of the Company was \$nil.

The fair value of the net assets of Blockchain World Ltd. prior to closing was as follows:

| | |
|------------------------------------------|----------|
| | \$ |
| Accounts receivable | 5,896 |
| Intangible assets (Domains) | 71,659 |
| Accounts payable and accrued liabilities | (77,555) |
| <hr/> | |
| Total | - |

BLOCKMATE VENTURES INC. (FORMERLY MIDPOINT HOLDINGS LTD.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
(Expressed in Canadian dollars)

11. 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, 2022, and the year ended June 30, 2021. 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, 2022 and 2021, the Company met this requirement.

12. INCOME TAX

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 27% (2021 – 27%) to the effective tax rate is as follows:

| | June 30, 2022 | June 30, 2021 |
|------------------------------------------------|--------------------------|--------------------------|
| Net loss for the year | \$ (4,638,888) | \$ (786,544) |
| Expected income tax (recovery) expense | (1,243,010) | (212,370) |
| Difference in foreign tax rates | 178,055 | 17,710 |
| Non-deductible expenses | 737,763 | 4,750 |
| Share issuance costs booked directly to equity | (9,218) | (26,510) |
| Change in tax benefits not recognized | 336,410 | 216,420 |
| Income tax (recovery) | - | - |

Deferred Tax

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 recongized in respect of the following deductible temporary differences:

BLOCKMATE VENTURES INC. (FORMERLY MIDPOINT HOLDINGS LTD.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
(Expressed in Canadian dollars)

12. INCOME TAX (Continued)

Deferred Tax (continued)

Unrecognized Deferred Tax Assets (continued)

| | June 30, 2022 | June 30, 2021 |
|-----------------------------------------------------------------------------|--------------------------|--------------------------|
| | \$ | \$ |
| Non-capital losses carried forward - Canada | 5,387,472 | 5,059,950 |
| Non-capital losses carried forward – United Kingdom / Australia / Hong Kong | 2,730,365 | 2,552,310 |
| Equipment | 377,427 | 9,710 |
| Intangibles | 235,040 | 133,910 |
| Investments | 35,000 | 35,000 |
| Share issuance costs | 115,002 | 146,640 |
| Totals | 8,880,306 | 7,962,520 |

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

Share issue and financing costs will be fully amortized in 2025.

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 utilize 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 | 820,870 |
| 2041 | 756,570 |
| 2042 | 327,192 |
| | <u>5,387,472</u> |

13. COMMITMENTS AND CONTINGENT LIABILITIES

The Company's lease arrangement for office space in London, United Kingdom ends September 30, 2022 and the remaining lease commitment is approximately \$11,517.