# MIDPOINT HOLDINGS LTD.

## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2017

(Unaudited)

(Expressed in Canadian Dollars)

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim condensed consolidated financial statements of Midpoint Holdings Ltd. were prepared by management in accordance with International Financial Reporting Standards. The most significant of these standards are set out in the note 2 of these financial statements. Any applicable changes in accounting policies have also been disclosed in these unaudited interim condensed consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited interim consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The Board of Directors is responsible for ensuring management fulfills its financial reporting responsibilities and for reviewing and approving the unaudited interim financial statements together with other financial information. The Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the internal controls over the financial reporting process and the period end unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders. Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

## NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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**MIDPOINT HOLDINGS LTD.**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**AS AT MARCH 31, 2017 AND JUNE 30, 2016**
**(Amounts in Canadian dollars)**
**(Unaudited)**

| | March 31, 2017 | June 30, 2016 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash (note 3) | **$ 762,521** | $ 411,370 |
| Accounts receivable and prepaid expenses | **3,458** | 225,142 |
| Share subscriptions receivable | **50,000** | - |
| Total current assets | **815,979** | 636,512 |
| **EQUIPMENT** | **8,609** | 6,739 |
| **INTANGIBLES** (note 4) | **364,182** | 420,108 |
| **TOTAL ASSETS** | **$ 1,188,770** | $ 1,063,359 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable and accrued liabilities | **$ 58,689** | $ 351,438 |
| Current portion of settlement provision | **84,746** | 84,746 |
| Total current liabilities | **143,435** | 436,184 |
| **SETTLEMENT PROVISION** (note 5) | **169,568** | 202,568 |
| Total liabilities | **313,003** | 638,752 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital (note 6) | **11,790,109** | 11,135,109 |
| Warrants and options reserve | **628,100** | 628,100 |
| Contributed surplus (note 6) | **627,974** | 627,974 |
| Accumulated other comprehensive loss | **( 499,612)** | ( 485,156) |
| Accumulated deficit | **(11,670,804)** | (11,481,420) |
| Total shareholders' equity | **875,767** | 424,607 |
| | **$ 1,188,770** | $ 1,063,359 |

Nature of operations (note 1)

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

On behalf of the Board:

**Signed: *"Corbin Comishin"***
Director

**Signed: *"David Wong"***
Director

**MIDPOINT HOLDINGS LTD.**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**
**FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2017 AND 2016**
**(Amounts in Canadian dollars)**
**(Unaudited)**

| | For the three months ended March 31, 2017 | For the three months ended March 31, 2016 | For the nine months ended March 31, 2017 | For the nine months ended March 31, 2016 |
|---|---|---|---|---|
| **REVENUE** | **$ 89,023** | $ 71,548 | $ 253,438 | $ 194,860 |
| **TRANSACTION COSTS** | **8,606** | 40,983 | 48,345 | 123,721 |
| **GROSS MARGIN** | **80,417** | 30,565 | 205,093 | 71,139 |
| **OTHER INCOME** | | | | |
| Interest income | **-** | - | 19 | 14 |
| Grant income | **2,460** | - | 2,460 | - |
| Wage expense reimbursement | **-** | 37,000 | - | 37,000 |
| Foreign exchange gain/(loss) | **7,294** | 34,729 | ( 2,897) | 38,500 |
| Total other income/(loss) | **9,754** | 71,729 | ( 418) | 75,514 |
| | **90,171** | 102,294 | 204,675 | 146,653 |
| **EXPENSES** | | | | |
| Amortization and depreciation (note 4) | **28,281** | 28,304 | 84,301 | 64,114 |
| Filing fees and transfer fees | **8,527** | 1,979 | 25,379 | 17,904 |
| General and administrative expenses | **23,435** | 15,511 | 64,704 | 84,835 |
| Marketing | **2,083** | 34,580 | 15,841 | 120,562 |
| Professional & consulting fees | **31,254** | 69,965 | 152,122 | 234,313 |
| Research and development tax credits | **357** | - | ( 36,246) | - |
| Value added tax recovery | **( 854)** | - | ( 1,737) | - |
| Settlement expense | **-** | 85,076 | - | 85,076 |
| Wages | **33,541** | 20,834 | 89,695 | 285,890 |
| Total expenses | **126,624** | 256,249 | 394,059 | 892,694 |
| **NET INCOME/(LOSS) FOR THE PERIOD** | **( 36,453)** | ( 153,955) | ( 189,384) | ( 746,041) |
| **FOREIGN CURRENCY TRANSLATION** | **4,110** | 3,920 | ( 14,456) | 15,552 |
| **NET INCOME/(LOSS) AND COMPREHENSIVE INCOME/(LOSS)** | **$( 32,343)** | $( 150,035) | $( 203,840) | $( 730,489) |
| Basic and diluted weighted average shares outstanding | **75,808,589** | 67,988,859 | 75,808,589 | 67,988,859 |
| Basic and diluted net loss per share | **$ (0.0004)** | $ (0.0022) | $ (0.0027) | $ (0.0107) |

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

**MIDPOINT HOLDINGS LTD.**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE NINE MONTHS ENDED MARCH 31, 2017 AND 2016**
**(Amounts in Canadian dollars)**
**(Unaudited)**

| | March 31, 2017 | March 31, 2016 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net loss for the period | **$( 189,384)** | $( 746,041) |
| Item not affecting cash | | |
| Amortization | **84,301** | 64,114 |
| | **( 105,083)** | ( 681,927) |
| Net changes in non-cash working capital items relating to operating activities | | |
| Accounts receivable and share subscriptions receivable | **171,684** | ( 46,011) |
| Accounts payable and accrued liabilities | **( 325,749)** | ( 286,453) |
| Net cash (used in) operating activities | **( 259,148)** | ( 1,014,391) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Net proceeds from issuance of shares | **655,000** | 913,761 |
| Cash provided by financing activities | **655,000** | 913,761 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Acquisition of intangible assets | **( 27,311)** | ( 61,421) |
| Reduction of intangible assets | **-** | 108,493 |
| Acquisition of tangible assets | **( 2,934)** | - |
| Cash Provided By (Used For) Investing Activities | **( 30,245)** | 47,072 |
| **NET (DECREASE) INCREASE IN CASH** | **365,607** | ( 53,558) |
| **CASH, BEGINNING OF PERIOD** | **411,370** | 382,332 |
| **EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES** | **( 14,456)** | 15,498 |
| **CASH, END OF PERIOD** | **$ 762,521** | $ 344,272 |

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

**MIDPOINT HOLDINGS LTD.**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIENCY)**
**FOR THE NINE MONTHS ENDED MARCH 31, 2017**
**(Amounts in Canadian dollars)**
**(Unaudited)**

| | Number of Shares issued | Amount | Contributed Surplus | Warrants Options Reserves | Accumulated Deficit | Accumulative Other Comprehensive-Loss | Total Shareholder's Deficit |
|---|---|---|---|---|---|---|---|
| **Balance, June 30, 2015** | 60,294,582 | $ 10,370,309 | $ 627,974 | $ 375,000 | $( 10,319,594) | $( 431,896) | $ 621,793 |
| Shares issued | 7,694,277 | 913,761 | - | - | - | - | 913,761 |
| Net loss and comprehensive loss for the period | - | - | - | - | ( 746,041) | 15,552 | ( 730,489) |
| **Balance as at March 31, 2016** | 67,988,859 | $ 11,284,070 | $ 627,974 | $ 375,000 | $ 11,065,635 | $( 416,344) | $ 805,065 |
| | | | | | | | |
| **Balance, June 30, 2016** | 69,258,589 | $ 11,135,109 | $ 627,974 | $ 628,100 | $ (11,481,420) | $( 485,156) | $ 424,607 |
| Shares issued | 13,100,000 | 655,000 | - | - | - | - | 655,000 |
| Net loss and comprehensive loss for the period | - | - | - | - | ( 189,384) | ( 14,456) | ( 203,840) |
| **Balance as at March 31, 2017** | 82,358,589 | $ 11,790,109 | $ 627,974 | $ 628,100 | $ (11,670,804) | $( 499,612) | $ 875,767 |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Midpoint Holdings Ltd. (the "Company" or "Midpoint") was incorporated under the Business Corporations Act (B.C.) on April 15, 2010. The Company (which has generated no significant revenues to date) 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 and its wholly-owned subsidiary Midpoint & Transfer Ltd. ("Midpoint") receive fees from all parties for matching the currency exchanges and transferring the funds. The Company does not take part in any of the business that its users may enter into.

### 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 $36,453 for the three months ended March 31, 2017 (2016 - net loss of $153,955). 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 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 March 31, 2017, the Company had cash and cash equivalents of $762,521 (representing a increase of $351,151 from June 30, 2016).

As of March 31, 2017, the Company had working capital of $672,544 as compared to working capital of $200,328 as at June 30, 2016.

The Company plans to manage future liquidity risk by generating cash flow from operations and limiting expenses until the operations are profitable.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these interim condensed consolidated financial statements are based on IFRS issued and outstanding as of November 21, 2014, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these interim condensed consolidated financial statements as compared with the most recent annual financial statements as at and for the period ended June 30, 2016. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for period ending June 30, 2016 could result in restatement of these condensed interim financial statements.

### New standards not yet adopted and interpretations issued but not yet effective.

There are no relevant changes in accounting standards applicable to future periods other than as disclosed in the most recent annual consolidated statements as at and for the period ended June 30, 2016.

## 3. CASH

At March 31, 2017 and June 30, 2016 the Company had cash of $762,521 and $411,370 respectively. The Company maintains cash in various banks including a bank in Canada and several in the United Kingdom.

## 4. INTANGIBLES

| Patents & software | March 31, 2017 | June 30, 2016 |
|---|---|---|
| **Cost** | | |
| Balance, at beginning of period | **$ 848,642** | $ 888,577 |
| Additions | **27,311** | 82,269 |
| Reductions | **-** | (122,204) |
| Balance, at end of period | **875,953** | 848,642 |
| **Accumulated Depreciation** | | |
| Balance, at beginning of period | **428,533** | 317,548 |
| Depreciation for period | **83,238** | 110,986 |
| Balance, at end of period | **511,771** | 428,534 |
| Net Book Value | **$ 364,182** | $ 420,108 |

It is the companies policy to capitalize expenses related to software as software assets. In the three months ended March 31, 2017, $27,311 was expended and added as software assets.

## 5. SETTLEMENT PROVISION

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

The Company has applied a discount factor of 18% to the $500,000 payable as at November 23, 2015 and has assumed a repayment of $100,000 per year (implying an assumption of $1,000,000 per year in financing). An initial discount of $187,500 was recognized based on these assumptions and will be accreted through the statement of operations until the liability is ultimately extinguished. The Company recognized $35,590 in accretion costs during the June 30, 2016 year in relation to this item.

As a result of the March 31, 2016 and May 12, 2016 financings, which raised gross proceeds of $607,760, the Company has paid $60,776 of the settlement provision. In addition to the provision the company has paid a total of interest of $2,243 related to the payment.

As a result of the July 8, 2016 and July 19, 2016 financings, which raised gross proceeds of $250,000, the Company has paid $25,000 of the settlement provision.

As a result of the December 29, 2016 exchange of shares for debt with a company vendor in the amount of $80,000, the company as at December 31, 2016 owed $8,000 of the settlement provision. This amount was paid subsequent to the financial statement date in January 2017.

As a result of the March 31, 2017 financings which raised gross proceeds of $325,000 the Company has paid 32,500 of the settlement provison as of May 25, 2017.

## 6. SHARE CAPITAL AND CONTRIBUTED SURPLUS

**Authorized**

As at March 31, 2017, the Company had authorized unlimited common shares.

**Issued and outstanding**

A summary of share transactions and shares issued and outstanding is as follows:

| | Number of Shares | Share Capital | Contributed Surplus | Total |
|---|---|---|---|---|
| Balance, March 31, 2017 | 82,358,589 | $ 11,790,109 | $ 627,974 | $ 12,418,083 |