Brownstone Energy Inc.

Management's Discussion and Analysis

For the year ended: **June 30, 2015**

Date of report: **October 26, 2015**

This management's discussion and analysis of the financial condition and results of operation ("MD&A") of Brownstone Energy Inc. ("Brownstone" or the "Company") should be read in conjunction with Brownstone's annual audited consolidated financial statements and notes thereto as at and for the years ended June 30, 2015 and 2014.

Unless indicated otherwise, all financial data in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). All dollar amounts in this MD&A are reported in Canadian dollars unless otherwise indicated.

Caution Regarding Forward-Looking Information:

Certain information contained in this MD&A constitutes forward-looking information, which is information relating to future events or the Company's future performance and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, but is not limited to the Company's expectations regarding its exploration and development activities, including expectations regarding drilling and other activities, receipt of regulatory and governmental approvals, the Company's future working capital requirements, including its ability to satisfy such requirements, the exposure of its financial instruments to various risks and its ability to manage those risks, the Company's ability to use tax resource pools and loss carry-forwards and changes in accounting policies.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: risks relating to oil and gas exploration activities generally, including the availability and cost of seismic, drilling and other equipment; our ability to complete our capital programs; geological, technical, drilling and processing problems, including the availability of equipment and access to properties; our ability to secure adequate transportation for our products; potential losses which would stem from any disruptions in production, including work stoppages or other labour difficulties, or disruptions in the transportation network on which we are reliant; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; our ability and the ability of our partners to attract and retain the necessary labour required to explore and develop our projects; potential conflicting interests with our joint operating partners; our failure or the failure of the holder(s) of licenses or leases to meet specific requirements of such licenses or leases; the failure by counterparties to make payments or perform their operational or other obligations in compliance with the terms of contractual arrangements between us and such counterparties; adverse claims made in respect of our properties or assets; operating hazards and other difficulties inherent in the exploration for and production and sale of crude oil and natural gas; political and economic conditions in the countries in which our property interests are located; obtaining the necessary financing for operations, our ability to generate taxable income from operations, fluctuations in the value of our portfolio investments due to market conditions and/or company-specific factors, fluctuations in prices of commodities underlying our interests and portfolio investments, and other risks included elsewhere in this MD&A under the heading "Risks" and in the Company's public disclosure documents filed with certain Canadian securities regulatory authorities and available under the Company's profile at www.sedar.com.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The forward-looking information contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Nature of the Business:

Brownstone Energy Inc. ("Brownstone" or the "Company") was an energy-focused company with direct and indirect interests in oil and gas exploration projects. Since July 2, 2015, its common shares are publicly-traded on the Canadian Securities Exchange under the symbol "BWN". The Company is now a Canadian-based venture capital firm focused on opportunistic investments in companies in the junior resources, technology and biotechnology markets. The Company is domiciled in the Province of Ontario and its head office is located at 69 Yonge St., Suite 1010, Toronto, Ontario, Canada.

Summary:

- On July 2, 2015, the Company delisted from the TSX Venture Exchange and listed on the Canadian Securities Exchange under the symbol "BWN".

- As at June 30, 2015, the Company had a working capital of $8,461,640 as compared to working capital of $9,172,740 as at June 30, 2014, a decrease of 8%, primarily due to the decrease in the fair value of the Company's investment portfolio and the payment of net cash calls in Colombia during the first quarter, offset by the sale of USA exploration and evaluation assets.

- On May 1, 2015, the Company closed its sale of its USA exploration and evaluation assets for US$1,960,000 to Coachman Energy Partners LLC. The Company no longer has any significant exploration and evaluation assets and is now focused on opportunistic investments in companies in the junior resources, technology and biotechnology markets.

Exploration and evaluation assets:

All of the Company's oil and gas activities are conducted jointly with others. The Company enters into exploration agreements with other parties, pursuant to which the Company may earn and maintain interests in the underlying exploration and evaluation assets by issuing common shares and/or making cash payments and/or incurring expenditures in varying amounts by varying dates. Failure by the Company to issue such shares, make such cash payments or incur such expenditures can result in a reduction or loss of the Company's interests.

The Company's accounts reflect only its interests in its oil and gas activities. The following is a summary of the Company's exploration and evaluation assets:

	Colombia (a)	Israel (b)	USA (c)	Canada (d)	Argentina (e)	Total
	$	$	$	$	$	$
Balance at July 1, 2013	1,051,200	9,664,918	4,376,697	1,130,468	1,051,200	17,274,483
Net additions [1.]	306,317	(706,143)	(126,018)	12,689	(112,956)	(626,111)
Disposals	-	-	(270,170)	-	-	(270,170)
Impairment of exploration and evaluation assets	(1,372,310)	(9,236,915)	-	(1,143,154)	(87,056)	(11,839,435)
Foreign currency translation	14,793	278,140	71,247	-	8,796	372,976
Balance at June 30, 2014	-	-	4,051,756	3	859,984	4,911,743
Net additions [1.]	**-**	**-**	**49,924**	**-**	**-**	**49,924**
Impairment of exploration and evaluation assets	**-**	**-**	**(2,039,846)**	**-**	**(934,495)**	**(2,974,341)**
Foreign currency translation	**-**	**-**	**424,034**	**-**	**74,511**	**498,545**
Disposal of exploration and evaluation assets	**-**	**-**	**(2,485,868)**	**-**	**-**	**(2,485,868)**
Balance at June 30, 2015	**-**	**-**	**-**	**3**	**-**	**3**

[1.] Net additions reflects expenditures on exploration and evaluation assets less revenue received from sales of oil, natural gas, and natural gas liquids generated during long-term production testing (if any) and reversals of outstanding cash calls previously capitalized.

(a) Colombia:

For the year ended June 30, 2014, included in net additions was $1,489,106 of revenue from the sales of oil generated from long-term production testing on Block 27 (2013 includes the Canaguaro Block) in the Llanos Basin of Central Colombia up to December 31, 2013, the day when the Block was impaired to nil. Additionally, the Company also received $432,706 of revenue from the sales of oil generated from long-term production testing on Block 27 for the period from when the Block was impaired up to the day of the assignment of the Block to the operator, which was offset against exploration and evaluation expense in the consolidated statement of comprehensive loss. Included in the statements of cash flows is the cash spent on expenditures and evaluation, net of oil sales from long-term production testing.

(i) Block 27: In December 2013, the Company recorded an impairment charge on Block 27 of $1,372,310 (2013 - $19,219,802) to its estimated recoverable amount of $0. The impairment was recognized upon a review of the Company's private participating interest in the Block. The Company believed there was a low probability of realization of the asset from the continued development of the Block. In February 2014, the Company's 34.25% private participating interest in Block 27 was assigned to the operator of the Block for nil proceeds. As at June 30, 2014, the Company had net liabilities of $134,959 (US$126,413) owing to the operator of the Block which were paid subsequent to June 30, 2014.

(ii) Block 36: In October 2013, the Company assigned its 14% private participating interest in Block 36 to the operator of the Block for no consideration. As at June 30, 2014, the Company had no further obligations or liabilities in respect of the Block.

As at June 30, 2014, the Company no longer had any property interests in Colombia.

(b) Israel:

As at June 30, 2014, the Company had the following participating interests in Israel and is required to fund its share of the participating interests:

	Gabriella Block	Yitzhak Block
Participating interest	15%	15%

(i) Gabriella Block: To date Brownstone has funded its share of costs incurred in connection with the attempted drilling of the exploration well.

Brownstone and its partners have missed all of the work program milestones and have suspended their operations on the Gabriella license. For the year ended June 30, 2014, the Company recorded an impairment charge on the Gabriella Block of $8,315,788 to its estimated recoverable value of nil. The impairment was recognized upon a review of the Company's participating interests in the exploration licenses in Israel. The Company believes there is a low probability of realization of the asset from the successful development of the Block.

The Gabriella license expired on September 1, 2014 without further extension being granted by the Ministry of Energy and Water of the State of Israel ("Ministry"), due to the milestones in the work program not being achieved. The Company has been notified by the operator of the Block that they have appealed to the Ministry the decision to rescind the Gabriella license. No response has been received from the Ministry to date.

(ii) Yitzhak Block: For the year ended June 30, 2014, the Company recorded an impairment charge on the Yitzhak Block of $921,127 to its estimated recoverable value of nil. The impairment was recognized upon a review of the Company's participating interests in the exploration licenses in Israel. The Company believes there is a low probability of realization of the asset from the successful development.

The Yitzhak license expired on October 15, 2014.

(c) USA:

The Company had participating interests of between 10% and 28.57% in various acreages in the Piceance/Uinta basin in the USA and is required to fund its share of the participating interests.

During the year ended June 30, 2015, included in net additions was $35,066 (2014 - $260,493) in gross revenue (net of royalties) from the sale of natural gas, natural gas liquids, and oil generated during long-term production testing.

In June 2014, the Company closed the sale of 13% of its 28.57% interests in two oil and gas leases comprising the Kokopelli project in Colorado (and 65% of its 28.57% working interest in the initial well drilled in 2013) with a further 52% of the Company's 28.57% interests subject to an earn-in by the purchaser. After the sale, the Company had a 24.85% carried working interest in a US$16,000,000 drilling and completion program planned for 2015 to be funded 100% by the purchaser of the assets. If the earn-in conditions are satisfied, the Company would have a 10% working interest in the Kokopelli project. In March 2015, the Company announced the sale of its remaining interest in the Kokopelli project and other USA interests for US$1,960,000 and recorded an impairment charge on its USA properties of $2,039,846 to its recoverable amount of $2,485,868 (US$1,960,000). The impairment was recognized upon a review of the Company's participating interests in the USA properties.

On May 1, 2015, the Company closed the sale of its oil and gas property interests located in Carfield county and Rio Blanco county Colorado, pursuant to an agreement dated March 17, 2015, and effective as at January 1, 2015 with Coachman Energy Partners LLC. The Company received net proceeds of US$1,906,157 on the sale, realizing a loss of $67,070 (US$53,843) net of the impairment charge.

(d) Canada:

(i) In fiscal year 2005, the Company entered into an agreement with Marksmen Energy Limited ("Marksmen") to acquire a 7.0% working interest in a certain petroleum and natural gas well (the "13-22 Re-Drill Well") located in the Namao South Area of Alberta, Canada, close to the town site of St. Albert, just outside of Edmonton.

During the year ended June 30, 2014, the Company recorded an impairment charge of $122,703 upon a review of the Company's interest in the 13-22 Re-Drill Well and its estimated recoverable amount which is nil. The Company believes there is a low probability of realization of the asset from the successful development of the property. The well has been shut-in for the past several years and the Company expects the well to remain shut-in until the operator and partners have the available funds to complete needed repairs, do additional engineering and operational reviews, and until economic conditions improve.

(ii) The Company has a 50% interest in the exploration licenses of the Rimouski, Rimouski North, Trois-Pistoles and Shawinigan properties in the St. Laurent Lowlands, Quebec. The Company is required to fund its share of the costs incurred on the properties.

During the year ended June 30, 2015, the Company spent $15,747 (2014 - $12,689) to maintain these properties in good standing which was expensed in the statements of comprehensive loss for the years ended June 30, 2015 and 2014, respectively.

During the year ended June 30, 2014, the Company concluded that it would not commit capital in the foreseeable future to exploration and evaluation activities on the Quebec properties due to the lack of market activity and the continued uncertainty regarding the drilling moratorium on shale gas exploration and production. Accordingly, the Company recorded an impairment charge of $1,020,451 on its Quebec exploration licenses. The Company intends to keep the exploration licenses in good standing but does not believe the interest can be sold for any value at this time until the moratorium is lifted.

Subsequent to June 30, 2015, the Company and its partner renewed the exploration licenses on the Rimouski and Rimouski North properties and abandoned its Trois-Pistoles and Shawinigan properties.

(e) Argentina:

The Company has a 25% interest in the Vaca Mahuida Block in the Province of Rio Negro, Argentina. Under the terms of the participation agreement governing Brownstone's interest, the Company is required to fund 50% of the costs to be incurred in the conduct of the work program on the property.

During the year ended June 30, 2014, the Company agreed to relinquish its 25% working interest to Petrolifera Petroleum (Americas) Limited Sucursal Argentina, the operator of the Block for net cash consideration of US$805,530. The net cash consideration settled all outstanding liabilities and no further liabilities will occur in respect of the Block. As a result, the Company reversed accruals of $112,956 that were recorded as at June 30, 2013 in respect of the Block and recorded an impairment charge of $87,056. The impairment was recognized upon a review of the Company's interest in the Block and its recoverable amount of US$805,530. As at June 30, 2014, the value of the 25% working interest in Argentina was $859,984. The relinquishment is conditional upon granting by the Province of Rio Negro of an exploitation concession on the Vaca Mahuida Block to Petrolifera.

In November 2014, the Company was notified by Petrolifera that it intended to withdraw its application of the exploitation concession on the Block and relinquished its interest in the Block or assign its interest to the remaining partners in the Block. During the year ended June 30, 2015, the Company recorded an impairment charge of $934,495 (US$805,530) to its estimated recoverable value of nil. The impairment was recognized upon a review of the Company's participating interest in Argentina. The Company believes there is a low probability of realization of the asset from its sale to Petrolifera now since they are abandoning the Block. The Company intends to assign its 25% working interest to one of the partners for nil proceeds.

Investments:

The fair value and cost of investments are as follows as at June 30:

	Fair Value	Cost
2015	**$ 5,451,327**	**$ 12,309,444**
2014	3,707,817	9,746,424

As at June 30, 2015, the original cost of investments exceeded fair value by $6,858,117 as compared to $6,038,607 as at June 30, 2014. The decrease for the year ended June 30, 2015 was primarily due to the net change in unrealized gains on investments of $861,785 offset by the disposal of investments, realizing a loss of $745,785.

For details of the Company's accounting policies for investments, see (b) under "Significant Accounting Policies" elsewhere in this MD&A. The fair value of the Company's investments as reflected in its consolidated financial statements and calculated in accordance with IFRS and its accounting policies may differ from the actual proceeds of disposition that would be realized by the Company. For example, the amounts at which the Company's publicly-traded investments could be disposed of currently may differ from fair values based on market quotes, as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity.

Contingent liability:

In April 2006, Brownstone entered into a farm-in agreement with Canoro Resources Ltd. ("Canoro"), whereby it acquired a 15% interest in block AA-ONN-2003/2, in Arunachal Pradesh, northwest India. During 2009, the parties completed the interpretation of the 3-D seismic program. The consortium partners in the block are: Brownstone - 15%, Canoro - 15%, National Thermal Power Corporation - 40%, and Geopetrol International Inc. - 30%.

On April 8, 2010, the Production Sharing Contract (the "PSC") with the Government of India, through the Directorate General of Hydrocarbons (the "DGH") expired and as a result, the DGH called the Company's letter of guarantee totaling US$1,395,000 issued by Royal Bank of Canada ("RBC"). The DGH's position is that the Company and its partners failed to meet certain terms of the PSC governing their commitments on exploration block AA-ONN-2003/2. The Company and its partners have disputed certain terms of the PSC, including its expiry on the basis of force majeure. As at June 30, 2010, the Company wrote-off all of its oil and gas properties and related expenditures in India.

In January 2015, the Company received notice from the DGH that it denied the request for non-levy of the cost of the unfinished PSC and demanded payment of the outstanding balance of US$14,054,284 (Brownstone's share – US$1,423,510). The Company considers the claim to be completely without merit and will defend itself vigorously. No provision has been made for the claim in the consolidated financial statement of financial position as at June 30, 2015.

Results of Operations

Selected financial information for the Company for its three most recently completed financial years as at and for the years ending June 30 is provided below:

	2015	2014	2013
Net investment gains (losses), interest and other income	**$ (1,600,560)**	$ 920,617	$ (1,390,480)
Comprehensive loss for the year	**(5,621,992)**	(12,988,974)	(40,010,523)
Loss per common share based on net loss for the year – basic and diluted	**(0.05)**	(0.10)	(0.31)
Exploration and evaluation assets	**$ 3**	$ 4,911,743	$ 17,274,483
Investments, at fair value	**5,451,327**	3,707,817	1,667,208
Total assets	**8,726,530**	15,115,615	30,452,958
Total liabilities	**246,742**	1,031,132	3,551,120
Equity	**8,479,788**	14,084,483	26,901,838

No dividends were declared by the Company during any of the years indicated.

The Company's selected quarterly results for the eight most recently completed interim financial periods are as follows:

	Quarter ended			
	June 30, 2015	**March 31, 2015**	**December 31, 2014**	**September 30, 2014**
Net investment gains (losses)	**$ 561,044**	**$ (272,049)**	**$ (1,328,016)**	**$ (568,029)**
Net profit (loss) for the period	**161,143**	**(677,660)**	**(2,670,510)**	**(2,767,253)**
Total comprehensive income (loss) for the period	**74,040**	**(509,706)**	**(2,584,450)**	**(2,601,876)**
Earnings (loss) per share based on net profit (loss) for the period – basic and diluted	**0.00**	**(0.01)**	**(0.02)**	**(0.02)**
	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013
Net investment gains (losses)	$ 290,489	$ 249,270	$ (81,206)	$ 429,186
Net profit (loss) for the period	(10,943,929)	201,169	(2,095,191)	(517,924)
Total comprehensive income (loss) for the period	(11,296,308)	755,342	(1,604,098)	(843,909)
Profit (loss) per share based on net profit (loss) for the period – basic and diluted	(0.08)	0.00	(0.02)	(0.00)

No dividends were declared by the Company during any of the periods indicated.

Three months ended June 30, 2015 and 2014:

For the three months ended June 30, 2015, the Company generated net realized losses on disposal of investments of $367,878 as compared to $3,094,980 for the three months ended June 30, 2014. The net realized losses in the current quarter was a result of the disposition of five of the Company's investments.

For the three months ended June 30, 2015, the Company recorded a net change in unrealized gains on investments of $928,922 as compared to $3,385,469 for the three months ended June 30, 2014. The net change in unrealized gains on investments in the current period related to the reversal of previously recognized net unrealized losses on disposal of investments and the net write-up to market on the Company's investments. In the prior period, the net change in unrealized gains on investments related primarily to the reversal of previously recognized net unrealized losses on disposal of investments.

For the three months ended June 30, 2015, the Company recorded a net loss on interest and other income of $67,042 as compared to interest and other income of $834 for the three months ended June 30, 2015. In the current year period, other income was primarily from a loss of $67,070 on the sale of exploration and evaluation assets (USA). Interest income is primarily composed of interest income earned on investments in banker's acceptances and cash deposits. In the current period, the cash deposits were much lower which decreases the interest earned.

For the three months ended June 30, 2015, operating, general and administrative expenses decreased by $497,998 to $340,796 from $838,794 for the three months ended June 30, 2014. The decrease was primarily due to a decrease in salaries, consulting and administrative fees and an increase in foreign exchange gain as discussed below.

The following is the breakdown of the Company's operating, general and administrative expenses for the indicated three month periods ended June 30. Details of the changes follow the table:

	2015	2014
Salaries, consulting and administrative fees (a)	**$ 142,920**	$ 449,496
Professional fees	**106,994**	120,330
Other office and general	**72,306**	37,892
Transaction costs (b)	**18,800**	5,900
Shareholder relations, transfer agent and filing fees	**14,673**	2,034
Travel and promotion (c)	**4,301**	15,276
Other employment benefits	**2,404**	6,517
Stock-based compensation expense (d)	**-**	20,807
Exploration and evaluation expenses (e)	**(868)**	(43,735)
Foreign exchange loss (gain) (f)	**(20,734)**	224,277
	$ 340,796	$ 838,794

(a) Salaries, consulting and administrative fees decreased by $306,576 for the three months ended June 30, 2015 as compared to the three months ended June 30, 2014. The decrease was due to a reduction of consultants, the amount of consultancy fees and the termination of administrative fees ($12,000/month) paid in the current quarter as compared to the prior year quarter.

(b) Transactions costs increased by $12,900 for the three months ended June 30, 2015 as compared to the three months ended June 30, 2014, due to an increase in the volume of trading conducted by the Company. Transaction costs arise from the purchase and disposition of investments through brokers, which are expensed immediately in accordance with the Company's accounting policy.

(c) Travel and promotion decreased by $10,975 for the three months ended June 30, 2015 as compared to the three months ended June 30, 2014, due to a decrease in traveling related to the Company's oil and gas activities in Colombia and Israel in the current period.

(d) Stock-based compensation expense decreased by $20,807 for the three months ended June 30, 2015 as compared to the three months ended June 30, 2014. Stock-based compensation expense will vary from period to period depending upon the number of options granted and vested during a period and the fair value of the options calculated as at the grant date. The decrease in the current period resulted from a lower number of vested stock options. No options were granted during the three months ended June 30, 2015.

(e) Exploration and evaluation expenses decreased by $42,867 for the three months ended June 30, 2015 as compared to the three months ended June 30, 2014. In the prior year period, the Company had a reversal of $104,811 (US$97,899) in accrued liabilities relating to a cash call for the Canaguaro Block in Colombia that was settled with the former operator of the Block.

(f) Foreign exchange loss decreased by $245,011 for the three months ended June 30, 2015 as compared to the three months ended June 30, 2014. The Company had a foreign exchange gain during the current quarter due to the increase in the value of the Canadian dollar versus the U.S. dollar during the quarter, which decreased the Canadian dollar value of the Company's U.S. dollar denominated monetary liabilities.

For the three months ended June 30, 2015, the Company recorded a reversal of impairment on exploration and evaluation assets (USA interests) totalling $8,415 as compared to an impairment on exploration and evaluation assets of $10,380,069 for the three months ended June 30, 2014. During the three months ended June 30, 2014, the Company recorded impairments on its Colombia, Israel, and Canadian properties. See "Exploration and evaluation assets" section.

For the three months ended June 30, 2015, the Company recorded an income tax expense of $478 as compared to $16,389 for the three months ended June 30, 2014. The income tax expense in the prior year period was due to the recording of an alternative minimum income tax in Colombia.

Profit for the three months ended June 30, 2015 was $161,143 ($0.00 per share) as compared to a loss of $10,943,929 ($0.08 per share) for the three months ended June 30, 2014.

For the three months ended June 30, 2015, the Company recorded a loss from the exchange differences on translation of foreign operations of $87,103 resulting in total comprehensive income for the period of $74,040. For the three months ended June 30, 2014, the Company recorded a loss from the exchange differences on translation of foreign operations of $352,379 resulting in total comprehensive loss for the period of $11,296,308.

Year ended June 30, 2015 and 2014:

For the year ended June 30, 2015, the Company generated net realized losses on disposal of investments of $745,265, as compared to $5,155,874 for the year ended June 30, 2014. The net realized losses in the current year was a result of the disposition of several of the Company's legacy investments.

For the year ended June 30, 2015, the Company recorded a net change in unrealized losses on investments of $861,785 as compared to a net change in unrealized gains on investments of $6,043,813 in the year ended June 30, 2014. The net change in unrealized losses on investments in the current year related to the reversal of previously recognized net unrealized losses on disposal of investments of $1,612,910 offset by the net write-up to market of $751,125 on the Company's investments. The net change in unrealized gains on investments in the prior year related to the reversal of previously recognized net unrealized losses on disposal of investments of $4,980,513 and the net write-up to market of $1,063,300 on the Company's investments.

For the year ended June 30, 2015, the Company recorded interest and other income of $6,490 as compared to $32,678 for the year ended June 30, 2014. Interest income is primarily composed of interest income earned on cash deposits. In the current year, interest income included $73,056 (US$66,342) from the settlement in full with the operator of Block 21 (Colombia) of a letter of credit that was called in October 2013 by the Agencia Nacional de Hidrocarburos ("ANH"), the oil and gas agency of the Colombian government, offset by a loss sale of exploration and evaluation assets of $67,070. The interest income was offset by a loss of $67,070 on the sale of exploration and evaluation assets (USA). Other income for the year ended June 30, 2014 included a gain of $12,704 on the dispositions of USA properties.

For the year ended June 30, 2015, operating, general and administrative expenses decreased by $1,106,559 to $1,348,736 from $2,455,295 for the year ended June 30, 2014, primarily from the decreased in salaries, consulting, and administrative fees and stock-based compensation expense and an increase in foreign exchange gain.

The following is the breakdown of the Company's operating, general and administrative expenses for the year ended June 30.

Details of the changes follow the table:

	2015	2014
Salaries, consulting and administrative fees (a)	**$ 1,103,019**	$ 1,626,359
Professional fees	**283,508**	266,824
Other office and general (b)	**140,322**	198,318
Shareholder relations, transfer agent and filing fees	**63,479**	77,952
Transaction costs (c)	**31,096**	5,900
Stock-based compensation expense (d)	**17,297**	171,619
Other employment benefits	**13,668**	40,301
Travel and promotion (e)	**11,981**	57,313
Exploration and evaluation expenses (f)	**(47,252)**	95,036
Foreign exchange gain (g)	**(268,382)**	(84,327)
	$ 1,348,736	$ 2,455,295

(a) Salaries, consulting and administrative fees decreased by $523,340 for the year ended June 30, 2015 as compared to the year ended June 30, 2014. The decrease was due to a reduction of consultants, the amount of consultancy fees paid and the termination of administrative fees in March 2015. The decrease was offset by termination payments totaling $247,750 paid to the Company's Vice-President Legal & Corporate Affairs and the Company's General Counsel. In the prior year, the Company paid a one-time increase of $100,000 each to the Chairman and Chief Executive Officer, Chief Financial Officer and Vice President, Corporate & Legal Affairs and the payment of $100,000 to the Company's former President and Chief Operating Officer for the cessation of his employment.

(b) Other office and general decreased by $57,996 for the year ended June 30, 2015 as compared to the year ended June 30, 2014, primarily due to the office expenses relating to the Company's Calgary, Alberta, office which was closed in April 2014.

(c) Transactions costs increased by $25,196 for the year ended June 30, 2015 as compared to the year ended June 30, 2014, due to an increase in the volume of trading conducted by the Company. Transaction costs arise from the purchase and disposition of investments through brokers, which are expensed immediately in accordance with the Company's accounting policy.

(d) Stock-based compensation expense decreased by $154,322 for the year ended June 30, 2015 as compared to the year ended June 30, 2014. The decrease was due to a decrease in the value of stock options, which vested during the current period as compared to the prior year period. Stock options granted during the current and prior year vest at three-month intervals over 18 months and are accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value of these options is estimated at the date of grant using the Black-Scholes option pricing model, and expensed over the vesting periods based on the graded method. Unvested forfeited stock options are not expensed during the period. There were no options granted during fiscal year 2015.

(e) Travel and promotion decreased by $45,322 for the year ended June 30, 2015 as compared to the year ended June 30, 2014, due to a decrease in traveling related to the decrease in the Company's oil and gas activities in Colombia and Israel in the current year.

(f) Exploration and evaluation expenses decreased by $142,288 for the year ended June 30, 2015, primarily due to accrued cash calls in Israel and on Block 36 in Colombia, which were expensed. In the current year, the Company renegotiated an outstanding cash call in Israel on the Gabriella Block resulting in a reduction of $62,008 (US$53,668) to exploration expenses while in the prior year period, the Company had a cash call relating to Block 36 in Colombia, which was expensed.

(g) Foreign exchange gain increased by $184,055 for the year ended June 30, 2015 as compared to the year ended June 30, 2014. The foreign exchange gain was due to the decrease in the value of the Canadian dollar versus the U.S. dollar during the year, which increased the Canadian dollar value of the Company's U.S. dollar denominated monetary assets.

For the year ended June 30, 2015, the Company recorded an impairment on exploration and evaluation assets totalling $2,974,341 as compared to $11,839,435 for the year ended June 30, 2015. In the current year, the Company recorded an impairment on its properties in the USA and Argentina relating to the valuation of the estimated recoverable amount of the Company's participating interest in those properties. In the prior year, the Company recorded impairments on its properties in Colombia, Israel, and Canada. See "Exploration and evaluation assets" section.

For the year ended June 30, 2015, the Company recorded an income tax expense of $30,643 as compared to income tax recovery of $18,238 for the year ended June 30, 2014. The income tax expense was due to the recording of minimum income tax paid in Colombia. The income tax recovery in the prior year was due to taxes withheld in Colombia, which is greater than the alternative minimum tax.

Loss for the year ended June 30, 2015 was $5,954,280 ($0.05 per share) as compared to $13,355,875 ($0.10 per share). The loss in the current and prior year was primarily due to the impairment of exploration and evaluation assets.

For the year ended June 30, 2015, the Company recorded a gain from the exchange differences on translation of foreign operations of $332,288 resulting in total comprehensive loss for the year of $5,621,992. The gain from the exchange differences on translation of foreign operations was primarily due to the decrease in the value of the Canadian dollar versus the U.S. dollar during the year, which increased the Canadian dollar value of the Company's U.S. dollar denominated assets. For the year ended June 30, 2014, the Company recorded a gain from the exchange differences on translation of foreign operations of $366,901 resulting in total comprehensive loss for the year of $12,988,974.

Cash Flows
Year ended June 30, 2015 and 2014:

During the year ended June 30, 2015, the Company used cash of $201,174 in operating activities as compared to $2,375,674 in the year ended June 30, 2014. In the current year, the Company received $671,354 (US$609,658) for the settlement with the operator of Block 21 (Colombia) of a US$567,027 letter of credit that was called in October 2013 by the ANH and a tax refund of $237,378 in Colombia.

During the year ended June 30, 2015, the Company had an increase of $588,573 due from brokers (cash held in broker accounts) as compared to nil for the year ended June 30, 2014.

During the year ended June 30, 2015, net cash used in investing activities was $1,842,140 as compared to $1,836,032 during the year ended June 30, 2014. During the year ended June 30, 2015, the Company spent cash on expenditures on exploration and evaluation assets of $861,375 as compared to cash expenditures of $1,588,457 during the year ended June 30, 2014, net of oil revenues. In the year ended June 30, 2015, the Company had proceeds of $2,388,260 from the sale of exploration and evaluation assets as compared to $270,170 during the year end June 30, 2014. During the year ended June 30, 2015, the Company had proceeds from dispositions of investments of $1,114,302 as compared to $212,496 during the year ended June 30, 2014. During the year ended June 30, 2015, the Company purchased $4,464,862 of investments as compared to $1,365,166 during the year ended June 30, 2014. During the year ended June 30, 2014, $634,925 of restricted cash was released when the Company assigned its 14% private participating interest in Block 36.

For the year ended June 30, 2015, the Company had a net decrease in cash of $2,631,887 as compared to $4,211,706 for the year ended June 30, 2014. For the year ended June 30, 2015, the Company also had a loss from the exchange rate changes on its foreign operations' cash balances of $166,257, leaving a cash balance of $2,579,139 as at June 30, 2015 as compared to an exchange loss of $6,075, leaving a cash balance of $5,377,283 as at June 30, 2014.

Segmented information:

Reporting segments are defined as components of an enterprise about which separate financial information is available, that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. All of the Company's operations relate to direct and indirect investments in the oil and gas sector. The Company's significant segments include six distinct geographic areas: Colombia, Israel, Canada, United States, Argentina and Brazil. There were no changes in the reportable segments during the year ended June 30, 2015.

The accounting policies applied to Brownstone's operating segments are the same as those described in the summary of significant accounting policies, except that certain expenses and other items are not allocated to the individual operating segments when determining income or loss, but are attributed to the Canadian operations where the corporate head office is located.

The following is segmented information as at and for the year ended June 30, 2015:

	Year ended June 30, 2015		**As at June 30, 2015**		
	Interest and other income	**Net profit (loss) for the year**	**Exploration and evaluation assets**	**Other assets**	**Total assets**
Canada and other	**$ 73,560**	**$ (2,588,209)**	**$ 3**	**$ 8,697,392**	**$ 8,697,395**
United States	**(67,070)**	**(2,123,567)**	**-**	**22,569**	**22,569**
Argentina	**-**	**(952,462)**	**-**	**6,524**	**6,524**
Brazil	**-**	**(2,275)**	**-**	**42**	**42**
Israel	**-**	**12,153**	**-**	**-**	**-**
Colombia	**-**	**(299,920)**	**-**	**-**	**-**
	$ 6,490	**$ (5,954,280)**	**$ 3**	**$ 8,726,527**	**$ 8,726,530**

The following is segmented information as at and for the year ended June 30, 2014:

	Year ended June 30, 2014		As at June 30, 2014		
	Interest and other income	Net loss for the year	Exploration and evaluation assets	Other assets	Total assets
Canada and other	$ 2,047	$ 2,291,086	$ 3	$ 9,570,543	$ 9,570,546
United States	-	1,189	4,051,756	66,235	4,117,991
Argentina	-	125,480	859,984	5,471	865,455
Colombia	29,107	1,759,047	-	407,888	407,888
Brazil	-	-	-	136,277	136,277
Israel	1,524	9,179,073	-	17,458	17,458
	$ 32,678	$ 13,355,875	$ 4,911,743	$ 10,203,872	$ 15,115,615

Liquidity and capital resources:

Consolidated statements of financial position highlights	**June 30, 2015**	June 30, 2014
Cash	**$ 2,579,139**	$ 5,377,283
Investments, at fair value	**5,451,327**	3,707,817
Exploration and evaluation assets	**3**	4,911,743
Total assets	**8,726,530**	15,115,615
Total liabilities	**246,742**	1,031,132
Share capital, warrants and broker warrants, contributed surplus	**121,152,353**	121,135,056
Foreign currency translation reserve	**620,107**	287,820
Deficit	**(113,292,673)**	(107,338,393)
Working Capital	**$ 8,461,640**	$ 9,172,740

Total liabilities decreased by $784,390 to $246,742 as at June 30, 2015 as compared to $1,031,132 as at June 30, 2014. As at June 30, 2015, the accounts payable and accrued liabilities included $71,102 for exploration and evaluation cash calls as compared to $841,989 as at June 30, 2014.

The Company's cash and investments as at June 30, 2015 would be sufficient to meet the Company's current liabilities. As at June 30, 2015, the Company had working capital of $8,461,640 as compared to working capital of $9,172,740 as at June 30, 2014. The decrease in working capital since June 30, 2014 was primarily due to the decrease in the fair value of the Company's investment portfolio and the payment of Colombian exploration and evaluation cash calls offset by the sale of USA exploration and evaluation assets as previously discussed.

The Company continues to have no long-term debt.

The Company is not anticipating any significant exploration and evaluation expenditures associated with its Canadian properties for fiscal 2016. If the Company does not fund its obligations, it will either lose or reduce its current interests in those exploration and evaluation assets. That decision will be made at the time the cash calls are requested by the operator.

Effective March 31, 2015, the Company terminated its administrative fees contract for office rent and services of $12,000 monthly. In April 2015, the Company signed a lease for new premises which started May 1, 2015 for annual payments of approximately $82,875 ($6,906 monthly) plus applicable taxes until April 30, 2018 and office equipment lease payments of $5,340 annually ($445 monthly) plus applicable taxes until April 30, 2019. The Company also has consulting agreements with officers aggregating $35,750 per month.

Related party transactions:

All transactions with related parties have occurred in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(a) Compensation to key management personnel and directors during the years ended June 30 were as follows:

Type of expense	**2015**	2014
Salaries and consulting fees	**$ 429,000**	$ 1,160,080
Other short-term benefits	**8,994**	32,537
Stock-based compensation expense	**13,475**	144,119
	$ 451,469	$ 1,336,736

Key management personnel are the Chairman/Chief Executive Officer and Chief Financial Officer. On March 1, 2015, the consulting agreement with the Company's Vice President, Corporate & Legal Affairs, Richard Patricio, was terminated at a cost of $147,750. In the prior year, key management personnel also included the President and Chief Operating Officer, Jonathan Schroeder who resigned on May 31, 2014.

(b) There were no options granted during the year ended June 30, 2015. During the year ended June 30, 2014, the Company granted 2,550,000 options to directors and officers of the Company, with an exercise price of $0.10 per share expiring on September 9, 2018.

Off-Balance sheet arrangements:

As at June 30, 2015, the Company does not have any off-balance sheet arrangements that have, or are reasonable likely to have, a current or future effect on the results of operations or financials condition of Brownstone.

Management of capital:

The Company includes the following in its capital as at June 30:

		2015		2014
Equity comprising:				
Share capital	**$**	**96,597,845**	$	96,597,845
Contributed surplus		**24,554,508**		24,537,211
Foreign currency translation reserve		**620,107**		287,820
Deficit		**(113,292,673)**		(107,338,393)
	$	**8,479,788**	$	14,084,483

The Company's objectives when managing capital are:

(a) to ensure that the Company maintains the level of capital necessary to meet the requirements of cash calls for the exploration of properties and from operators in joint venture properties;

(b) to ensure that the Company maintains the level of capital necessary to meet the requirements of its broker;

(c) to allow the Company to respond to changes in economic and/or marketplace conditions by maintaining the Company's ability to purchase new investments;

(d) to give shareholders sustained growth in shareholder value by increasing shareholders' equity; and

(e) to maintain a flexible capital structure that optimizes the cost of capital at acceptable levels of risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by:

(a) realizing proceeds from the disposition of its investments; and

(b) raising capital through equity or debt financings.

The Company is not subject to any capital requirements imposed by any regulator.

There were no changes in the Company's approach to capital management during the year ended June 30, 2015. To date, the Company has not declared any cash dividends to its shareholders as part of its capital management program. The Company's current working capital is sufficient to discharge its liabilities as at June 30, 2015.

Risk management:

The investments operation of Brownstone's business involves the purchase and sale of securities and, accordingly, a significant portion of the Company's assets are currently comprised of financial instruments. The use of financial instruments can expose the Company to several risks, including market, credit, and liquidity risks. A discussion of the Company's use of financial instruments and their associated risks is provided below.

(a) Market risk:

Market risk is the risk that the fair value of or future cash flows from the Company's financial instruments will significantly fluctuate because of changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices. Additionally, the Company adjusts its investments to fair value at the end of each reporting period. This process could result in significant write-downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavourable effect on Brownstone's financial position.

There were no changes in the way the Company manages market risk during the year ended June 30, 2015. The Company manages market risk by having a portfolio which is not singularly exposed to any one issuer; however, its investment activities are currently concentrated primarily in the oil and gas resource industry.

The following table shows the estimated sensitivity of the Company's after-tax net loss for the year ended June 30, 2015 from a change in the closing trade price of the Company's investments with all other variables held constant as at June 30, 2015:

Percentage of change in closing trade price	**Decrease in net after-tax loss from % increase in closing trade price**	**Increase in net after-tax loss from % decrease in closing trade price**
2%	**$ 94,581**	**$ (94,581)**
4%	**189,161**	**(189,161)**
6%	**283,742**	**(283,742)**
8%	**378,322**	**(378,322)**
10%	**472,903**	**(472,903)**

The following table shows the estimated sensitivity of the Company's after-tax net loss for the year ended June 30, 2014 from a change in the closing trade price of the Company's investments with all other variables held constant as at June 30, 2014:

Percentage of change in closing trade price	Decrease in net after-tax loss from % increase in closing trade price	Increase in net after-tax loss from % decrease in closing trade price
2%	$ 64,311	$ (64,311)
4%	128,661	(128,661)
6%	192,992	(192,992)
8%	257,322	(257,322)
10%	321,653	(321,653)

(b) Credit risk:

Credit risk is the risk of loss associated with the inability of a third party to fulfill its payment obligations. The Company is exposed to the risk that third parties owing it money or securities will not perform their underlying obligations and for funds held with banks for cash. The Company may, from time to time, invest in debt obligations. As at June 30, 2015 and 2014, the Company did not hold any debt obligations. All funds in cash are held in financial institutions that have a credit rating above AA and the Company believes it is not exposed to any significant loss.

There were no changes to the way the Company manages credit risk during the year ended June 30, 2015. The Company is also exposed in the normal course of business to credit risk from the sale of its investments and advances to investee and joint arrangements.

The following is the Company's maximum exposure to credit risk as at June 30:

	2015	2014
Cash	**$ 2,579,139**	$ 5,377,283
Due from brokers	**588,573**	-
Receivables	**35,921**	838,450
Income taxes receivable	**-**	242,537
	$ 3,203,633	$ 6,458,270

As at June 30, 2015 and 2014, the Company had the following significant receivables:

(i) As at June 30, 2014, included in receivables was $605,358 (US$567,027) relating to a letter of guarantee on Block 21 (Colombia) that was called by the ANH, in October 2013. The ANH informed the Company that the operator of the Block breached its commitment to the ANH by not delivering certain information when required. In September 2014, Brownstone was reimbursed in full from the operator in accordance with the operator's contractual obligations.

(ii) As at June 30, 2014, included in receivables is $163,501 relating to oil sales revenue. The Company was exposed to this credit risk since the amount is due from three counterparties.

(iii) As at June 30, 2015, included in receivables is $35,921 (2014 - $41,541) relating to Goods and Services Tax and Harmonized Sales Tax input sales tax refunds. The Company believes it is not exposed to credit risk since the amount is fully collectible from the Canadian government.

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they become due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company, or if the value of the Company's investments declines, resulting in losses upon disposition. The Company generates cash flow primarily from its financing activities and proceeds from the disposition of its investments, in addition to interest earned on its investments.

There were no changes to the way that the Company manages liquidity risk during the year ended June 30, 2015. The Company manages liquidity risk by reviewing the amount of margin available on a daily basis and managing its cash flow. The Company holds investments that can be converted into cash when required.

As at June 30, 2015 and 2014, the Company was not using any margin.

The following table shows the Company's liabilities and potential due dates related to liquidity risk as at June 30, 2015:

	Payments due by period				
Liabilities and obligations	**Total**	**Less than 1 year**	**1 – 3 years**	**4 – 5 years**	**After 5 years**
Accounts payable and accrued liabilities	**$ 246,742**	**$ 246,742**	**$ -**	**$ -**	**$ -**
	$ 246,742	**$ 246,742**	**$ -**	**$ -**	**$ -**

The following table shows the Company's liabilities and potential due dates related to liquidity risk as at June 30, 2014:

	Payments due by period				
Liabilities and obligations	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Accounts payable and accrued liabilities	$ 1,031,132	$ 1,031,132	$ -	$ -	$ -
	$ 1,031,132	$ 1,031,132	$ -	$ -	$ -

The following table shows the Company's source of liquidity by assets as at June 30, 2015:

	Liquidity by period				
Assets	**Total**	**Less than 1 year**	**1 – 3 years**	**After 4 years**	**Non-liquid assets**
Cash	**$ 2,579,139**	**$ 2,579,139**	**$ -**	**$ -**	**$ -**
Due from broker	**588,573**	**588,573**			
Prepaids and receivables	**89,343**	**35,921**	**-**	**-**	**53,422**
Investments, at fair value	**5,451,327**	**5,251,327**	**200,000**	**-**	**-**
Property, plant and equipment	**18,145**	**-**	**-**	**-**	**18,145**
Exploration and evaluation assets	**3**	**-**	**-**	**-**	**3**
	$ 8,726,530	**$ 8,454,960**	**$ 200,000**	**$ -**	**$ 71,570**

The following table shows the Company's source of liquidity by assets as at June 30, 2014:

	Liquidity by period				
Assets	Total	Less than 1 year	1 – 3 years	After 4 years	Non-liquid assets
Cash	$ 5,377,283	$ 5,377,283	$ -	$ -	$ -
Prepaids and receivables	876,235	838,450	-	-	37,785
Investments, at fair value	3,707,817	3,207,817	500,000	-	-
Income taxes receivable	242,537	242,537	-	-	-
Exploration and evaluation assets	4,911,743	-	-	-	4,911,743
	$ 15,115,615	$ 9,666,087	$ 500,000	$ -	$ 4,949,528

(d) Interest risk:

Interest risk is the impact that changes in interest rates could have on the Company's earnings and liabilities. As at June 30, 2015 and 2014, the Company did not have any interest rate risk liabilities.

The primary objective of the Company's investment activities is to preserve principal while at the same time maximizing the income it receives from its investments without significantly increasing risk. The Company does not use any derivative instruments to reduce exposure to interest rate fluctuations.

(e) Currency risk:

The Company presently holds funds in Canadian dollars but a significant amount of its costs are denominated in U.S. dollars, Colombian pesos, and Argentinean pesos. The Company does not engage in any hedging activities to mitigate its foreign exchange risk. A change in the foreign exchange rate of the Canadian dollar versus another currency may increase or decrease the value of the Company's financial instruments. The Company does not hedge its foreign currency exposure.

The following assets and liabilities were denominated in foreign currencies as at June 30:

	2015	2014
Denominated in U.S. dollars:		
Cash	**$ 1,042,586**	$ 5,163,293
Due from brokers	**363,757**	-
Prepaids and receivables	**6,550**	221,862
Income tax receivable	**-**	242,537
Exploration and evaluation assets	**-**	4,911,740
Accounts payable and accrued liabilities	**(130,364)**	(966,052)
Net assets denominated in U.S. dollars	**1,282,529**	9,573,380
Denominated in Brazilian reals:		
Cash	**42**	136,277
Net assets denominated in Brazilian reals	**42**	136,277
Denominated in Argentinean pesos:		
Cash	**6,524**	5,471
Net assets denominated in Argentinean pesos	**6,524**	5,471
Denominated in Colombian pesos:		
Cash	**-**	6,407
Net assets denominated in Colombian pesos	**-**	6,407

The following table shows the estimated sensitivity of the Company's total comprehensive loss for the year ended June 30, 2015 from a change in the U.S. dollar exchange rate in which the Company has significant exposure with all other variables held constant as at June 30, 2015:

Percentage change in U.S. dollar exchange rate	**Decrease in total comprehensive loss from an increase in % in the U.S. dollar exchange rate**	**Increase in total comprehensive loss from a decrease in % in the U.S. dollar exchange rate**
2%	**$ 18,853**	**$ (18,853)**
4%	**37,706**	**(37,706)**
6%	**56,560**	**(56,560)**
8%	**75,413**	**(75,413)**
10%	**94,266**	**(94,266)**

The following table shows the estimated sensitivity of the Company's total comprehensive loss for the year ended June 30, 2014 from a change in the U.S. dollar exchange rate in which the Company has significant exposure with all other variables held constant as at June 30, 2014:

Percentage change in U.S. dollar exchange rate	Decrease in total comprehensive loss from an increase in % in the U.S. dollar exchange rate	Increase in total comprehensive loss from a decrease in % in the U.S. dollar exchange rate
2%	$ 140,729	$ (140,729)
4%	281,457	(281,457)
6%	422,186	(422,186)
8%	562,915	(562,915)
10%	703,643	(703,643)

Risks:

Brownstone's financial condition, results of operation and business are subject to certain risks, which may negatively affect them. Certain of these risks are described below in addition to elsewhere in this MD&A.

(a) Exploration and Development

The business of exploring for, developing and producing oil and gas involves a high degree of risk. Oil and gas reserves may never be found or, if discovered, may not be result in production at reasonable costs or profitability. The business of exploring, developing and producing is also capital intensive and, to the extent that cash flows from operating activities and external sources become limited or unavailable, the ability of Brownstone and of its operating partners to meet their respective financial obligations which are necessary to maintain their interests in the underlying properties could be impaired, resulting in those of the interests.

(b) Investment Risks:

The Company acquires securities of public and private companies from time to time, which are primarily junior or small-cap resource companies. The market values of these securities can experience significant fluctuations in the short and long term due to factors beyond the Company's control. Market value can be reflective of the actual or anticipated operating results of the companies and/or the general market conditions that affect the oil & gas sector as a whole, such as fluctuations in commodity prices and global political and economical conditions. The Company's investments are carried at fair value, and unrealized gains/losses on the securities and realized losses on the securities sold could have a material adverse impact on the Company's operating results. The recent decline in stock prices of the types of companies in which the Company invests have been very significant and such prices might take an extended time, to recover if they do at all.

(c) Dependence Upon Operating Partners:

Brownstone's oil and gas activities are conducted through partners in respect of which the Company is not the operator. Brownstone is dependent upon its operating partners for the financial and technical support, which they contribute to the Company's oil and gas properties. If Brownstone's operating partners are unable to fulfill their own contractual obligations, the Company's interests could be jeopardized, resulting in project delays, additional costs and loss of the interests.

(d) Environmental:

The Company's oil and gas operations are subject to environmental regulations in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which will likely require stricter standards and enforcement, increased costs, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties in which the Company holds interests which are presently unknown to the Company and which have been caused by previous or existing owners or operators of the properties or by illegal mining activities.

(e) Governmental:

Government approvals and permits are often generally required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be delayed or prohibited from proceeding with planned exploration or development of properties. Amendments to current laws, regulations and permits governing operations and activities of oil and gas companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or require abandonment or delays in development of new properties. Although the governments of the various countries in which Brownstone operates have been stable recently, there is no assurance that political and economic conditions will remain stable. Political and economic instability may impede the Company's ability to continue its exploration activities in the manner currently contemplated.

(f) Foreign Operations:

The Company is exposed to risks of political instability and changes in government policies, laws and regulations in every country in which the Company has oil & gas interests. The Company holds interests in Argentina and Israel and in other jurisdictions that may be affected in varying degrees by political stability, government regulations relating to the oil & gas industry and foreign investment therein. Any changes in regulations or shifts in political conditions are beyond the Company's control and may adversely affect the Company's business. The Company's operations may be affected in varying degrees by government regulations, including those with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, employment, land use, water use, environmental legislation and mine safety. There is no assurance that permits can be obtained, or that delays will not occur in obtaining all necessary permits or renewals of such permits for existing properties or additional permits required in connection with future exploration and development programs. In the event of a dispute arising at the Company's foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. The Company may also be hindered or prevented from enforcing its rights with respect to a government entity or instrumentality because of the doctrine of sovereign immunity.

(g) Fluctuations in Crude Oil, Natural Gas, and Natural Gas Liquid Prices:

The price of the Company's common shares, and consolidated financial results and exploration, development and other oil and gas activities may in the future be significantly and adversely affected by declines in the price of crude oil, natural gas, and/or natural gas liquid (collectively "oil and gas"). The price of oil and gas fluctuates widely and is affected by numerous factors beyond the Company's control, such as interest rates, exchange rates, inflation or deflation, fluctuation in the value of the US dollar and foreign currencies, global and regional supply and demand, the political and economic conditions and production costs of major oil and gas - producing countries throughout the world, and the cost of substitutes, inventory levels and carrying charges. Future material price declines could cause continued development of and commercial production from the properties in which the Company holds an interest to be impracticable. Depending on the price of oil and gas, cash flow from the Company's operations may not be sufficient and the Company could be forced to discontinue production and may lose the Company's interest in, or may be forced to sell, some of the Company's properties. Future production from the Company's properties is dependent upon the price of oil and gas being adequate to make these properties economic.

Significant Accounting Policies:

Refer to Note 3 of the Notes to the consolidated financial statements as at and for the year ended June 30, 2015 for details of the Company's basis of preparation of the consolidated financial statements.

Some significant accounting polices used in the presentation of the consolidated financial statements are as follows.

(a) Exploration and evaluation assets and oil and gas properties:

(i) Exploration and evaluation assets:

Amounts included under exploration and evaluation assets relate to properties that are in preproduction and are undergoing exploration and evaluation.

All costs incurred in connection with the Company's exploration and evaluation assets (acquisition and exploration for oil and gas reserves) including overhead and dry-holes are capitalized less accumulated impairment losses. Such amounts include land acquisition costs, geological and geophysical expenditures, cost of drilling both productive and non-productive wells, gathering production facilities and equipment, and overhead expenses directly related to exploration and development activities. The Company capitalizes carrying costs directly attributable to its acquisition, exploration and development activities, such as interest costs.

Capitalized exploration and evaluation assets are assessed to determine whether it is likely such net costs may be recovered in the future. Assets that are unlikely to be recovered are written down to their recoverable amount. Impairment reviews take place where there is an indication of impairment or when an exploration and evaluation asset has been transferred into oil and gas properties. The Company considers both qualitative and quantitative factors when determining whether an exploration and evaluation asset may be impaired. Impairment reviews are based on each specific license or block. Each specific license or block has an operator (which may be similar) with different joint partners.

Management may consider the following when reviewing an exploration and evaluation asset for impairment:

1. failure to receive approvals of or extensions of environmental/ drilling permits, aboriginal or similar approvals that allow the Company and its partners to proceed with a project;

2. valuations based on reserve or resource reports prepared by an independent engineering firm;

3. political changes in a country which the Company owns the exploration or evaluation asset;

4. seismic testing or drilling results;

5. the Company's intention of participating in a project;

6. management's estimate of the recoverable amount (fair value less costs to sell);

7. long-term oil and gas prices (considering current and historical prices, price trends and related factors);

8. operating costs;

9. future capital requirements; and

10. the financial capability of a partner.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount nor exceeds the carrying amount that would have been determined net of depreciation had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of comprehensive loss.

(ii) Joint oil and gas activities:

All of the Company's oil and gas activities are conducted jointly with others. The Company's accounts reflect only the Company's share of assets, liabilities, revenue and expenses in the joint operations.

For interests in joint operations, the Company's share of the jointly controlled assets are classified according to the nature of the assets, the Company's share of any liabilities incurred jointly with the other parties, and the Company's share of any income and expenses incurred jointly with the partners are recognized in the consolidated financial statements.

(b) Financial investments:

(i) Classification:

All investments are classified upon initial recognition at fair value through profit or loss, with changes in fair value reported in income (loss).

(ii) Recognition, de-recognition and measurement:

Purchases and sales of investments are recognized on the settlement date.

Investments at fair value through profit or loss are initially recognized at fair value where reliable basis for determination exists. Transaction costs are expensed as incurred in the consolidated statements of comprehensive loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or the Company has transferred the financial asset and the transfer qualifies for derecognition in accordance with IFRS 9, *Financial Instruments* ("IFRS 9").

Subsequent to initial recognition, all investments are measured at fair value. Gains and losses arising from changes in the fair value of the investments at fair value through profit or loss category are presented in the consolidated statements of comprehensive loss within net change in unrealized gains or losses on investments in the period in which they arise.

(iii) Reclassification of investments:

The Company would only reclassify a financial asset when the Company changes its business model for managing the financial asset. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new carrying value.

(iv) Determination of fair value:

The determination of fair value requires judgment 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 such valuations in the consolidated financial statements.

The Company is also required to disclose details of its investments (and other financial assets and liabilities reported at fair value) within three hierarchy levels (Level 1, 2, or 3) based on the transparency of inputs used in measuring the fair value, and to provide additional disclosure in connection therewith.

1. Publicly-traded investments:

   a. Securities, including shares, options, and warrants that 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 closing trade prices at the consolidated statements of financial position date or the closing trade price on the last day the security traded if there were no trades at the consolidated statements of financial position date. These investments are included in Level 1.

   b. Securities that are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value to a maximum of 10%. In determining the discount for such investments, the Company considers the nature and length of the restriction. These investments are included in Level 2.

   c. For options and warrants that are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, a valuation technique is used; if no such market inputs are available or reliable, the warrants and options are valued at intrinsic value, which is equal to the higher of the closing trade price at the consolidated statement of financial position date of the underlying security less the exercise price of the warrant or option, and zero. These investments are included in Level 2.

2. Private company investments:

   All privately-held investments (other than options and warrants) are initially recorded at the transaction price, being the fair value at the time 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 described below. These investments are included in Level 3.

   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 fair value of a privately-held investment may be adjusted if:

a. there has been a significant subsequent equity financing provided by outside investors at a valuation different than the current value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place;

b. there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a material impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable;

c. the investee company is placed into receivership or bankruptcy;

d. based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern;

e. receipt/denial by the investee company of environmental, mining, aboriginal or similar approvals, which allow the investee company to proceed/prohibit with its project(s);

f. filing by the investee company of a National Instrument 43-101 technical report in respect of a previously non-compliant resource;

g. release by the investee company of positive/negative exploration results; and

h. important positive/negative management changes by the investee company that the Company's management believes will have a very positive/negative impact on the investee company's ability to achieve its objectives and build value for shareholders.

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. In addition, the amounts at which the Company's privately-held investments could be disposed of currently may differ from the carrying value assigned.

(c) Revenue recognition:

Purchases and sales of investments are recognized on the settlement date. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the consolidated statements of comprehensive loss.

Upon disposal of an investment, previously recognized unrealized gains or losses are reversed so as to recognize the full realized gain or loss in the period of disposition. All transaction costs associated with the acquisition and disposition of investments are expensed to the consolidated statements of comprehensive loss as incurred. Dividend income is recorded on the ex-dividend date and when the right to receive the dividend has been established.

Interest income, other income, and income from securities lending are recorded on an accrual basis.

Oil revenue:

The Company recognizes revenue from petroleum and natural gas production at the fair value of the consideration received or receivable when the significant risks and rewards of ownership are transferred to the buyer and it can be reliably measured and only at such time as a project becomes commercially viable and development approval is received.

Prior to this stage, any production is considered test production and the related revenue is capitalized, net of applicable costs.

(d) Segment reporting:

Reportable segments are defined as components of an enterprise about which separate financial information is available, that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company has the following reportable geographic segments: Colombia, Israel, Canada, United States, Argentina and Brazil.

(e) Foreign currency translation:

(i) Functional currency:

These consolidated financial statements are presented in Canadian dollars, which is the parent's functional currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(ii) Transactions and balances:

Transactions in foreign currencies are initially recorded in the functional currency at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange in effect at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

(iii) Translation of foreign operations:

The results and financial position of Brownstone's subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

2. Share capital is translated using the exchange rate at the date of the transaction;

3. Revenue and expenses for each consolidated statement of comprehensive loss are translated at average exchange rates; and

4. All resulting exchange differences are recognized as a separate component of equity and as an exchange difference on translation of foreign operations in other comprehensive loss in the consolidated statements of comprehensive loss.

The Company treats specific inter-company loan balances that are not intended to be repaid in the foreseeable future as part of its net investment in a foreign operation, which is recorded as an exchange difference on translation of foreign operations in other comprehensive loss in the consolidated statements of comprehensive loss. When a foreign entity is sold, such exchange differences are reclassified to income or loss in the consolidated statements of comprehensive loss as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(f) Non-monetary transactions:

Transactions in which shares or other non-cash consideration are exchanged for assets or services are valued at the fair value of the assets or services involved.

(g) Income taxes:

(i) Current income tax:

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the intention is to settle on a net basis, or to realize the asset and settle the liability simultaneously. Current income tax relating to items recognized directly in equity is recognized in equity and not through profit or loss.

(ii) Deferred tax:

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary difference and the carry forward of unused tax credits and unused tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the consolidated statement of financial position date. Deferred tax relating to items recognized directly in equity is also recognized in equity and not in the consolidated statements of comprehensive loss. Deferred tax assets and deferred tax liabilities are not offset unless a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The carrying amount of deferred tax assets is reviewed at each consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each consolidated statement of financial position date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered. The Company does not record deferred tax assets to the extent that it considers deductible temporary differences, the carry-forward of unused tax credits and unused tax losses cannot be utilized.

(h) Stock-based compensation plan:

The Company has a stock option plan that is described in Note 10(b) of the Company's consolidated financial statements as at and for the year ended June 30, 2013. Employees (including officers), directors, and consultants of the Company receive remuneration in the form of stock options granted under the plan for rendering services to the Company. Any consideration received by Brownstone on the exercise of stock options is credited to share capital. The cost of options is recognized, together with a corresponding increase in contributed surplus, over the period in which the corresponding performance and/or service conditions are fulfilled, ending on the date on which the relevant optionee becomes fully entitled to the award ("the vesting date"). The cumulative expense recognized for option grants at each reporting date until the vesting date reflects the portion of the vesting period that passed and the Company's best estimate of the number of options that will ultimately vest on the vesting date. The Company records compensation expense and credits contributed surplus for all stock options granted, which represents the movement in cumulative expense recognized as at the beginning and end of that period.

Stock options granted during the period are accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value for these options is estimated at the date of grant using the Black-Scholes option pricing model. The Company is also required to estimate the expected future forfeiture rate of options in its calculation of stock-based compensation expense.

Where the terms of a stock option award are modified, the minimum expense recognized in compensation expense is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the option or is otherwise beneficial to the optionee as measured at the date of modification.

Where an option is cancelled it is treated as if it had vested on the date of cancellation and any expense not yet recognized for the award is recognized immediately.

However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

(i) Earnings (loss) per share:

Basic earnings (loss) per common share is determined by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period, excluding shares securing employee share purchase loans and shares in escrow. Diluted earnings (loss) per common share is calculated in accordance with the treasury stock method and based on the weighted average number of common shares and dilutive common share equivalents outstanding.

Changes in Accounting Policies:

Effective July 1, 2014, the Company has adopted the following new and revised standard, along with any consequential amendments. These changes were made in accordance with the applicable transitional provisions for which there was no significant impact on the Company's consolidated financial statements:

(a) *Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27) - These amendments are effective for annual periods beginning on or after January 1, 2014 and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The Company has assessed and determined that the amendments to IFRS 10, IFRS 12 and IAS 27 did not result in any change in the accounting or disclosures for its subsidiaries.

(b) IFRS 3, *Business Combinations* ("IFRS 3") - The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

(c) IFRS 8, *Operating Segments* ("IFRS 8") - The amendments are applied retrospectively and clarifies that: An entity must disclose the judgements made by management in applying the aggregation criteria, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. The Company has assessed and determined that the amendments to IFRS 8 did not result in any change in the accounting or disclosures.

(d) IFRS 13, *Fair Value Measurement* ("IFRS 13") was amended to clarify that the exception which allows fair value measurements of a group of financial assets and liabilities on a net basis applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or liabilities as defined in IAS 32. The Company has assessed and determined that the amendments to IFRS 13 did not result in any change in the accounting or disclosures.

(e) IAS 19, *Defined Benefit Plans: Employee Contributions - Amendments to IAS 19* clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost. The Company does not have any employee contributions that are independent of the years of service and the amendment, therefore, has no impact on the Company.

(f) IAS 24, *Related Party Disclosures* ("IAS 24") - The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The Company has assessed and determined that the amendments to IAS 24 did not result in any change in the disclosures for its related party transactions.

(g) IAS 32, *Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32* clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems), which apply gross settlement mechanisms that are not simultaneous. The Company has assessed the application and determined that IAS 32 did not have any impact on the consolidated financial statements.

(h) IAS 36, *Recoverable Amount Disclosures for Non-Financial Assets - Amendments to IAS 36* clarify the disclosure requirements in respect of fair value less costs of disposal. The amendments remove the requirement to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant. The Company does not have any goodwill and has not used any assumptions when recording the recoverable amount at fair value less cost of disposal. The amendment, therefore, did not result in any additional disclosures for the Company.

(i) IAS 39, *Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS* 39 provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument. The Company does not have any hedging instruments and the amendment, therefore, had no impact on the Company.

(j) IFRIC 21, *Levies*, clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognized before the specified minimum threshold is reached. The Company does not have any levy liability under relevant legislations and has concluded that the standard has no impact on the Company.

(k) *Annual Improvements 2010–2012 Cycle* was issued in December 2013 and is effective for annual reporting periods beginning on or after January 1, 2014. The IASB issued five minor amendments to different standards as part of the Annual Improvements process, with some amendments to be applied prospectively and others to be applied retrospectively. Adoption of these amendments is not expected to have a significant impact on the Company's Consolidated Financial Statements.

(l) *Annual Improvements 2011–2013 Cycle* was issued in December 2013 and is effective for annual reporting periods beginning on or after January 1, 2014. The IASB issued three minor amendments to different standards as part of the Annual Improvements process, all to be applied prospectively. Adoption of these amendments is not expected to have a significant impact on the Company's Consolidated Financial Statements.

Future changes in accounting policies:

At the date of authorization of these consolidated financial statements, the IASB and the International Financial Reporting Interpretations Committee has issued the following new and revised Standards and Interpretations that are not yet effective for the relevant reporting periods and the Company has not early adopted these standards, amendments and interpretations. However, the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company. The Company intends to adopt these standards, if applicable, when the standards become effective:

(a) IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), was issued in May 2014, which replaced IAS 11, *Construction Contracts*, IAS 18, *Revenue Recognition*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 provides a single, principles based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, *Consolidated Financial Statements* and IFRS 11, *Joint Arrangements*. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs.

The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some nonfinancial assets that are not an output of the entity's ordinary activities. IFRS 15 is required for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted. The Company is in the process of assessing the impact of IFRS 15 on its consolidated financial statements.

(b) In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 introduces a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting.

In addition, IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value, such that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Company is in the process of evaluating the impact of adopting these amendments on the Company's consolidated financial statements.

Critical accounting estimates:

The preparation of the consolidated financial statements in conformity 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Critical accounting estimates used in the preparation of the Company's consolidated financial statements include the Company's valuation of its privately-held investments, estimate of recoverable fair value on exploration assets, the valuation related to the Company's deferred tax assets ("DTA") and deferred tax liabilities ("DTL"), and the Company's estimate of inputs for the calculation of the fair value of stock-based compensation expense, the Company's own warrants and broker warrants, and unlisted warrants of public companies held by Brownstone.

<u>Valuation of privately-held investments:</u>

The valuation of these investments ("private investments") requires management to assess the current financial status and prospects of private investments based upon potentially incomplete or unaudited financial information provided by the investee company, on management's general knowledge of the private investment's activities, and on any political or economic events that may impact upon the private investment specifically, and to attempt to quantify the impact of such events on the fair value of the investment. In addition to any events or circumstances that may affect the fair value of a particular private investment, management can consider general market conditions that may affect the fair value of either a particular private investment or of a group, segment or complete portfolio of private investments.

Changes in the fair value of our private investments for company-specific reasons have tended to be infrequent. Changes as a result of general market conditions may be more frequent from period to period during times of significant volatility, however, given the relatively small size of our private investment portfolio, such changes are not expected to have a material impact on our financial condition or operating results. For the year ended June 30, 2015, the Company had a change in unrealized losses on investments of $300,000 (2014 - $250,000) relating to its private company investments.

<u>Estimate of recoverable fair value on exploration and evaluation assets:</u>

The costs of acquiring interests in exploration and evaluation assets are carried at cost until they are brought into production, at which time they are depleted on a unit-of-production method based on estimated recoverable proven oil and gas reserves. The Company's recorded value of exploration assets is based on historical costs that it expects to be recoverable in the future. The Company operates in an industry that is exposed to a number of risks and uncertainties, including exploration risk, development risk, commodity price risk, operating risk, political, ownership, funding, and currency risks, as well as environmental risk and overall economic conditions. All of these factors are potentially subject to significant change, out of the Company's control, and such changes are not determinable. Additionally, failure to conduct additional work on the Company's exploration properties may result in their loss. Accordingly, there is always the potential for a material adjustment to the value assigned to exploration assets.

At each reporting period, the Company's management reviews the status of all of its exploration properties, taking into account all of the factors noted above, in order to make an estimate of the recoverable value of each property. When management believes that the value of a property has been impaired, the Company will write down the value of the property to management's estimate of its recoverable value. As well, if the Company determines that an exploration project is not viable due to the risks described above or to unsatisfactory drill results, the Company will write-off the carrying value of the property. During the year ended June 30, 2015, the Company recorded an impairment of exploration and evaluation assets of $2,974,341 (2014 – $11,839,435) on its exploration and evaluation assets.

Deferred tax assets:

Deferred tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

DTL are recognized for all taxable temporary differences and DTA are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. The Company does not record DTA to the extent that it considers it is not more likely than not that deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilized.

Management determined, based upon expectations for future taxable income that it believes that it is not more likely than not it will realize the tax benefits of the DTA during the next several years.

Stock-based Compensation Expense/Warrants and Broker Warrants:

The Company uses the Black-Scholes option pricing model to calculate stock-based compensation expense and the fair value of the warrants and broker warrants issued under the Company's private placements. The model requires six key inputs: exercise price, market price at date of issue, risk free interest rate, expected dividend yield, expected life and expected volatility. The first two inputs are facts rather than estimates, while the risk free interest rate, expected life, expected volatility and expected dividend yield (estimated at 0% based on the Company's history of not paying any dividends) are based on the Company's estimates. A shorter expected life of the option, lower volatility number or higher dividend yield used would result in a decrease in stock-based compensation expense. A longer expected life of the option or a higher volatility number used would result in an increase in stock-based compensation expense. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of stock-based compensation expense. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

During the year ended June 30, 2015, there were no stock options granted by the Company.

During the year ended June 30, 2014, the Company granted 2,980,000 stock options exercisable at $0.10 per share expiring on September 9, 2018.

The fair value of the options granted during the year ended June 30, 2014 was estimated at the date of grant using the Black-Scholes option valuation model with the following assumptions:

Black-Scholes option valuation model assumptions used (weighted average)	
Expected volatility	**111.4%**
Expected dividend yield	**0%**
Risk-free interest rate	**1.8%**
Expected option life in years	**3.8 years**
Expected forfeiture rate	**4.9%**

Fair value per stock option granted on September 10, 2013	**$ 0.04**

The expected volatility is based on the historical volatility over the life of the option at Brownstone's share price. The Company has not paid any cash dividends historically and has no plans to pay cash dividends in the foreseeable future. The risk-free interest rate is based on the yield of Canadian Benchmark Bonds with equivalent terms. The expected option life in years represents the period of time that options granted are expected to be outstanding based on historical options granted.

Valuation of Unlisted Warrants of Public Companies:

The Company uses the Black-Scholes option pricing model to calculate the fair value of unlisted warrants of public companies if there are sufficient and reliable observable market inputs; if no such market inputs are available, the warrants are valued at intrinsic value. The model requires six key inputs: risk free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life and expected volatility. The first four inputs are facts rather than estimates, while the expected life, expected volatility and expected dividend yield (estimated at 0% based on the Company's history of not paying any dividends) are based on the Company's estimates. A shorter expected life of the warrant, lower volatility number or higher dividend yield used would result in a decrease in the fair value of the warrant. A longer expected life of the warrant or a higher volatility number used would result in an increase in the fair value of the warrant. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. As at June 30, 2015 and 2014, there were not sufficient reliable observable market inputs and thus, the Company valued the warrants in its portfolio using their intrinsic value.

Outstanding Share Data:

Subsequent to June 30, 2015, 775,000 options at a weighted average exercise price of $0.51 per share expired unexercised.

As at October 26, 2015, the number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of Brownstone are as follows:

Common shares	**Number**
Outstanding	**129,794,289**
Issuable under options	**6,280,000**
Total diluted common shares	**136,074,289**

Refer to Note 10 of the Notes to the consolidated financial statements as at and for the year ended June 30, 2015 for details of the Company's share capital as at June 30, 2015.

Additional Information:

Additional information relating to Brownstone may be found on the Company's website at www.brownstoneenergy.com or under the Company's profile on SEDAR at www.sedar.com.