For the quarter ended: September 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 unaudited interim condensed consolidated financial statements ("interim consolidated statements") and notes thereto as at and for the three months ended September 30, 2015 and the annual consolidated financial statements as at and for the year ended June 30, 2015. The same accounting policies and methods of computation were followed in the preparation of the interim consolidated statements as were followed in the preparation and described in note 3 of the annual consolidated financial statements as at and for the year ended June 30, 2015.

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 the timing, costs and results of seismic acquisition, drilling and other activities, and future production volumes and sales, 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 venture 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 continued under the Canada Business Corporations Act on December 1, 2011 and effective July 2, 2015, its common shares are publicly-traded on the Canadian Securities Exchange under the symbol "BWN". The Company is domiciled in the Province of Ontario and its head office is located at 69 Yonge St., Suite 1010, Toronto, Ontario, Canada. Brownstone is a publicly-traded Canadian-based venture capital firm focused on opportunistic investments in companies in the junior resources, technology and biotechnology markets.

Summary:

- On July 1, 2015, the delisted from the TSX Venture Exchange and listed its common shares on the Canadian Securities Exchange ("CSE") under the symbol "BWN". The Company's management believes that listing on the CSE will provide the Company with continued liquidity for its shareholders and lower operating costs as the Company focuses on becoming a diversified investment, financial advisory and venture capital firm with investments in companies in the junior resources, technology and biotechnology markets.

- As at September 30, 2015, the Company has working capital of $3,871,360 as compared to working capital of $8,461,640 as at June 30, 2015, a decrease of 54%, primarily due to the net investment losses of the Company's investment portfolio during the current quarter.

Investments:

The fair value and cost of investments are as follows:

	Fair Value	Cost
September 30, 2015	**$ 5,390,803**	**$ 13,227,524**
June 30, 2015	5,451,327	12,309,444

As at September 30, 2015, the original cost of investments exceeded fair value by $7,836,721 as compared to $6,858,117 as at June 30, 2015. The increase for the three months ended September 30, 2015 was primarily due to the net change in unrealized losses on investments of $935,298.

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.

As at September 30, 2015, total investments included securities of private companies with a fair value totalling $500,000 (9% of total fair value of the Company's investments; cost of $1,800,000). As at June 30, 2015, total investments included securities of a private company with a fair value totalling $200,000 (4% of total fair value of the Company's investments; cost of $1,500,000). The fair value was determined in accordance with the Company's accounting policy for private company investments. The amounts at which the Company's private company investments could be disposed of currently may differ from their carrying values since there is no active market to dispose of these investments.

Exploration and evaluation assets:

All of the Company's exploration and evaluation activities are conducted jointly with others except for its uranium permits. 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 exploration and evaluation activities. The following is a summary of the Company's exploration and evaluation assets:

	Canada (a) $	USA $	Argentina $	Total $
Balance at July 1, 2014	3	4,051,756	859,984	4,911,743
Net additions	-	49,924	-	49,924
Disposals	-	(2,485,868)	-	(2,485,868)
Impairment of exploration and evaluation assets	-	(2,039,846)	(934,495)	(2,974,341)
Foreign currency translation	-	424,034	74,511	498,545
Balance at June 30, 2015	3	-	-	3
Net additions	**11,000**	**-**	**-**	**11,000**
Balance at September 30, 2015	**11,003**	**-**	**-**	**11,003**

(a) Canada:

(i) As at September 30, 2015, the Company has a 50% interest in the exploration licenses of the Rimouski and Rimouski North properties in the St. Laurent Lowlands, Quebec. The Company is required to fund its share of the costs incurred on the properties.

During the three months ended September 30, 2015, the Company spent $3,841 (three months ended September 30, 2014 - nil) to maintain these properties in good standing which was expensed in the statements of comprehensive loss.

(ii) In September 2015, the Company staked 6,000 hectares in the Athabasca Basin, Saskatchewan (the "Brustad River Uranium Property") at a cost of $11,000. The Brustad River Uranium Property is an exploration stage project located 20 kms southeast of Cameco Corp's (TSX: "CCO") Centennial uranium deposit, as well as 120 kms east-southeast of Fission Uranium Corp's (TSX: "FCU") Patterson Lake deposit and 130 kms west-southwest of Cameco's McArthur River mine (the world's largest high-grade uranium mine).

Results of Operations

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

	Quarter ended			
	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014
Net investment gains (losses)	**$ (4,251,665)**	$ 561,044	$ (272,049)	$ (1,328,016)
Net profit (loss) for the period	**(4,572,870)**	161,143	(677,660)	(2,670,510)
Total comprehensive income (loss) for the period	**(4,578,200)**	74,040	(509,706)	(2,584,450)
Earnings (loss) per share based on loss for the period – basic and diluted	**(0.04)**	0.00	(0.01)	(0.02)

	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013
Net investment gains (losses)	$ (568,029)	$ 290,489	$ 249,270	$ (81,206)
Net profit (loss) for the period	(2,767,253)	(10,943,929)	201,169	(2,095,191)
Total comprehensive income (loss) for the period	(2,601,876)	(11,296,308)	755,342	(1,604,098)
Earnings (loss) per share based on loss for the period – basic and diluted	(0.02)	(0.08)	0.00	(0.02)

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

Three months ended September 30, 2015 and 2014:

For the three months ended September 30, 2015, the Company generated net realized losses on disposal of investments of $3,316,367, as compared to 377,387 for the three months ended September 30, 2014. The net realized losses in the current quarter was a result of the disposition of several of the Company's legacy investments.

For the three months ended September 30, 2015, the Company recorded a net change in unrealized losses on investments of $935,298 as compared to $190,642 for the three months ended September 30, 2014. The net change in unrealized losses on investments in the current period related to the net write-down to market on the Company's investments of $3,029,807 offset by the reversal of previously recognized net unrealized losses on disposal of investments of $2,094,509.

For the three months ended September 30, 2015, the Company recorded interest and other income of $12,105 as compared to $73,267 for the three months ended September 30, 2014. Interest income is primarily composed of interest income earned on cash held at brokers. In the current period, other income consisted of $12,000 in consultancy income. In the prior year period, 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.

For the three months ended September 30, 2015, operating, general and administrative expenses increased by $127,184 to $314,116 from $186,932 for the three months ended September 30, 2014. The increase was primarily due to an increase in transaction costs, operating lease payments and foreign exchange loss offset by a decrease in salaries, consulting and administrative fees as discussed below.

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

		2015		2014
Salaries, consulting and administrative fees (a)	**$**	**163,109**	$	237,657
Transaction costs (b)		**60,866**		8,117
Other office and general		**21,038**		23,414
Operating lease payments (c)		**21,005**		-
Foreign exchange loss (gain) (d)		**18,466**		(177,537)
Exploration and evaluation expenses (e)		**18,264**		-
Other employment benefits		**6,311**		4,657
Shareholder relations, transfer agent and filing fees		**3,233**		(1,156)
Travel and promotion		**2,768**		7,465
Stock-based compensation expense (f)		**-**		10,217
Professional fees (g)		**(944)**		74,098
	$	**314,116**	$	186,932

(a) Salaries, consulting and administrative fees decreased by $74,548 for the three months ended September 30, 2015 as compared to the three months ended September 30, 2014. The decrease was due to a reduction of consultants paid in the current quarter and the termination of administrative fees ($12,000/month) effective March 31, 2015.

(b) Transactions costs increased by $52,749 for the three months ended September 30, 2015 as compared to the three months ended September 30, 2015, 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) 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.

(d) During the three months ended September 30, 2014, the Company had a foreign exchange loss of $18,466 as compared to foreign exchange gain of $177,537 for the three months ended September 30, 2014. The Company experienced a foreign exchange loss due to the decrease in the value of the Canadian dollar versus the U.S. dollar during the quarter, which increased the Canadian dollar value of the Company's U.S. dollar denominated monetary liabilities.

(e) Exploration and evaluation expenses increased by $18,264 for the three months ended September 30, 2015, primarily due to the payment for lease renewals on its Quebec properties and accrued cash calls in the USA which were expensed.

(f) Stock-based compensation expense decreased by $10,217 for the three months ended September 30, 2015 as compared to the three months ended September 30, 2014. During the current period, there were no options granted and the current options outstanding are fully vested and expensed.

(g) Professional fees decreased by $75,042 for the three months ended September 30, 2015 as compared to the three months ended September 30, 2014, primarily due to the reversal of audit fees accrued in Barbados (an audit was not required for fiscal 2015). In the prior year period, professional fees included an one-time legal fees of $49,477 relating to the settlement with the operator of Block 21 (Colombia) of a letter of credit that was called in October 2013 by the ANH.

For the three months ended September 30, 2014, the Company recorded an impairment on exploration and evaluation assets of $2,071,157. The Company recorded an impairment on its properties in the USA.

For the three months ended September 30, 2015, the Company had finance expenses of $19,194 as compared to nil for the three months ended September 30, 2014. The finance expenses relate to interest expense paid to brokers on margin borrowings.

Net loss for the three months ended September 30, 2015 was $4,572,870 ($0.04 per share) as compared to $2,767,253 ($0.02 per share) for the three months ended September 30, 2014.

For the three months ended September 30, 2015, the Company recorded a loss from the exchange differences on translation of foreign operations of $5,330 resulting in total comprehensive loss for the period of $4,578,200. The loss from the exchange differences on translation of foreign operations was primarily due to the increase in the value of the Canadian dollar versus the U.S. dollar during the quarter, which increased the Canadian dollar value of the Company's U.S. dollar denominated net liabilities held by foreign subsidiaries. For the three months ended September 30, 2014, the Company recorded a gain from the exchange differences on translation of foreign operations of $165,377 resulting in total comprehensive loss for the period of $2,601,876.

Cash Flows
Three months ended September 30, 2015 and 2014:

During the three months ended September 30, 2015, the Company generated cash of $1,678,530 in operating activities as compared to $489,356 during the three months ended September 30, 2014. In the current period, the Company received/used $2,101,998 in margin borrowings (due to broker) for the purchase of investments.

During the three months ended September 30, 2015, net cash used in investing activities was $4,203,541 as compared to $1,261,603 during the three months ended September 30, 2014. During the three months ended September 30, 2015, the Company spent cash on expenditures on exploration and evaluation assets of $11,000 as compared to $228,491 during the three months ended September 30, 2014, a decrease that continues to reflect the Company's decreased exploration and evaluation activities. During the three months ended September 30, 2015, the Company had proceeds on the disposal of investments of $5,715,765 (three months ended September 30, 2014 - $423,744) and purchased $9,906,906 (three months ended September 30, 2014 - $1,456,856) of investments, reflecting an increase in investing activities.

For the three months ended September 30, 2015, the Company had a net decrease in cash of $2,525,011 as compared to $772,247 for the three months ended September 30, 2014. For the three months ended September 30, 2015, the Company also had a loss from the exchange rate changes on its foreign operations' cash balances of $5,330, leaving a cash balance of $48,798 as at September 30, 2015 as compared to an exchange loss of $19,680, leaving a cash and cash equivalents balance of $4,585,356 as at September 30, 2014.

Segmented information:

Reportable segments are defined as components of an enterprise about which separate financial information is available, that are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. In prior periods, all of the Company's operations related to direct and indirect investments in the oil and gas sector and the Company's significant segments consisted of six distinct geographic areas: Canada, United States, Argentina, Colombia, Israel and Brazil.

During the current period, the Company's operations primarily relate to investing. The Company's management is responsible for the Company's entire investment portfolio and considers the business to have a single operating segment. The management's investment decisions are based on a single, integrated investment strategy and the performance is evaluated on an overall basis.

All of the Company property, plant and equipment are located in Canada and no segmented information has been disclosed as at and for the three months ended September 30, 2015.

The following is segmented information for the three months ended September 30, 2014 and as at June 30, 2015:

	Three months ended September 30, 2014		As at June 30, 2015		
	Interest and other income	Net loss for the period	Exploration and evaluation assets	Other assets	Total assets
Canada and other	$ 73,267	$ 586,742	$ 3	$ 8,697,392	$ 8,697,395
Israel	-	8,558	-	-	-
United States	-	2,082,132	-	22,569	22,569
Colombia	-	87,719	-	-	-
Argentina	-	1,932	-	6,524	6,524
Brazil	-	170	-	42	42
	$ 73,267	$ 2,767,253	$ 3	$ 8,726,527	$ 8,726,530

Liquidity and capital resources:

Consolidated statements of financial position highlights	**September 30, 2015**	June 30, 2015
Cash	**$ 48,798**	$ 2,579,139
Investments, at fair value	**5,390,803**	5,451,327
Exploration and evaluation assets	**11,003**	3
Total assets	**5,537,353**	8,726,530
Total liabilities	**1,635,765**	246,742
Share capital and contributed surplus	**121,152,353**	121,152,353
Foreign currency translation reserve	**614,778**	620,108
Deficit	**(117,865,543)**	(113,292,673)
Working Capital	**3,871,360**	8,461,640

Due to brokers increased to $1,513,425 as at September 30, 2015. The Company uses margin as part of its investing strategy. The Company reviews its margin used and availability on a daily basis and converts investment to cash when required.

The Company's cash and investments as at September 30, 2015 would be sufficient to meet the Company's current liabilities. As at September 30, 2015, the Company had working capital of $3,871,360 as compared to working capital of $8,461,640 as at June 30, 2015. The decrease in working capital since June 30, 2015 was primarily due to the net investment loss on the Company's investment portfolio during the three months ended September 30, 2015.

The Company continues to have no long-term debt.

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.

Compensation to key management personnel and directors during the three months ended September 30 were as follows:

Type of expense	2015	2014
Salaries and consulting fees	**$ 107,250**	$ 144,188
Other short-term benefits	**3,182**	3,974
Stock-based compensation expense	**-**	8,400
	$ 110,432	$ 156,561

Key management personnel are the Chairman/Chief Executive Officer and Chief Financial Officer/Corporate Secretary. In the prior year period, key management personnel also included the Company's Vice President, Corporate & Legal Affairs who resigned on March 1, 2015.

Off-Balance sheet arrangements:

As at September 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:

There were no changes in the Company's approach to capital management during the three months ended September 30, 2015. The Company's capital includes equity comprised of share capital, contributed surplus, foreign currency translation reserve, and deficit. To date, the Company has not declared any cash dividends to its shareholders as part of its capital management program. The Company's current capital resources are sufficient to discharge its liabilities as at September 30, 2015.

Risk management:

(a) Market risk:

There were no changes in the way the Company manages market risk during the three months ended September 30, 2015. The Company manages market risk by having a portfolio which is not singularly exposed to any one issuer.

The following table shows the estimated sensitivity of the Company's after-tax net loss for the three months ended September 30, 2015 from a change in the closing trade price of the Company's investments with all other variables held constant as at September 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%	**$ 93,530**	**$ (93,530)**
4%	**187,061**	**(187,061)**
6%	**280,591**	**(280,591)**
8%	**374,122**	**(374,122)**
10%	**467,652**	**(467,652)**

The following table shows the estimated sensitivity of the Company's after-tax net loss for the three ended September 30, 2014 from a change in the closing bid price of the Company's investments with all other variables held constant as at September 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%	$ 72,400	$ (72,400)
4%	144,800	(144,800)
6%	217,199	(217,199)
8%	289,599	(289,599)
10%	361,999	(361,999)

(b) Currency risk:

The Company presently holds funds in Canadian dollars but a significant amount of its costs are denominated in U.S. dollars 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:

	September 30, 2015	June 30, 2015
Denominated in U.S. dollars:		
Cash and cash equivalents	$ 25,641	$ 1,042,586
Due from brokers	-	363,757
Prepaids and receivables	3,516	6,550
Due from to brokers	(1,798,832)	-
Accounts payable and accrued liabilities	(64,841)	(130,364)
Net assets denominated in U.S. dollars	(1,834,516)	1,282,529
Denominated in Brazilian reals:		
Cash and cash equivalents	39	42
Net assets denominated in Brazilian reals	42	42
Denominated in Argentinean pesos:		
Cash and cash equivalents	4,968	6,524
Net assets denominated in Argentinean pesos	4,968	6,524

The following table shows the estimated sensitivity of the Company's total comprehensive loss for the three months ended September 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 September 30, 2015:

Percentage change in U.S. dollar exchange rate	**Increase in total comprehensive loss from an increase in % in the U.S. dollar exchange rate**	**Decrease in total comprehensive loss from a decrease in % in the U.S. dollar exchange rate**
2%	**$ (26,967)**	**$ 26,967**
4%	**(53,935)**	**53,935**
6%	**(80,902)**	**80,902**
8%	**(107,870)**	**107,870**
10%	**(134,837)**	**134,837**

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)

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 and 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) 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.

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 interim 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 three months ended September 30, 2015 and 2014, the Company had no change in unrealized gains or losses on investments 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 three months ended September 30, 2014, the Company recorded an impairment of $2,071,157 on its exploration and evaluation assets to its net realizable value.

<u>Deferred tax assets:</u>

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.

<u>Stock-based Compensation Expense/Warrants and Broker Warrants:</u>

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 three months ended September 30, 2015, there were no stock options granted by the Company.

<u>Valuation of Unlisted Warrants of Public Companies:</u>

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 September 30, 2015 and June 30, 2015, 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:

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 7 of the notes to the interim condensed consolidated financial statements as at and for the three months ended September 30, 2015 for details of the Company's share capital as at September 30, 2015.

Additional Information:

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