Brownstone Energy Inc.
Management's Discussion and Analysis

For the quarter ended: **March 31, 2016**

Date of report: **May 26, 2016**

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 and nine months ended March 31, 2016 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 Company 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.

- In February 2016, the Company assigned its 1.07% working interest in the Wiley Unit property (Colorado, USA) to the operator of the property for settlement of all outstanding net liabilities effective December 31, 2015. The Company also sold its Brustad River Uranium Property for gross proceeds of $12,000. The Company's remaining exploration and evaluation assets in the oil and gas industry consists of a 50% interest in 4 exploration licenses in Quebec. The Company does not intend to invest any significant working capital towards these interests as it focuses on becoming a venture capital company. See "Exploration and evaluation assets" section.

- As at March 31, 2016, the Company has working capital of $1,887,001 as compared to working capital of $8,461,640 as at June 30, 2015, a decrease of 78%, primarily due to the net investment losses of the Company's investment portfolio during the current period.

Investments:

The fair value and cost of investments are as follows:

	Fair Value	Cost
March 31, 2016	**$ 1,952,888**	**$ 8,210,950**
June 30, 2015	5,451,327	12,309,444

As at March 31, 2016, the fair value of the investments decreased by $3,498,439 to $1,952,888 as compared to $5,451,327 as at June 30, 2015. The decrease was primarily from the increase in realized losses on the disposition of investments and the write-down of investments to market offset by the reversal of previously recorded unrealized losses. As at March 31, 2016, the original cost of investments exceeded fair value by $6,258,062 as compared to $6,858,117 as at June 30, 2015. The decrease for the nine months ended March 31, 2016 was primarily due to the net change in unrealized gains on investments of $643,361.

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 March 31, 2016, total investments included securities of private companies with a fair value totalling $217,500 (11% of total fair value of the Company's investments; cost of $1,860,001). 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 (b)	Argentina (c)	Total
	$	$	$	$
Balance at July 1, 2014	3	4,051,756	859,984	4,911,743
Net additions [1.]	-	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**
Disposals	**(11,000)**	**-**	**-**	**(11,000)**
Balance at March 31, 2016	**3**	**-**	**-**	**3**

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

(a) Canada:

(i) As at March 31, 2016, 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 nine months ended March 31, 2016, the Company spent $3,841 (nine months ended March 31, 2015 - $12,689) to maintain these properties in good standing which was expensed in the statements of loss and comprehensive loss. During the nine months ended March 31, 2016, the Company sold 9 exploration licenses for net proceeds of $5,000. Included in the statements of loss and comprehensive loss for the three and nine months ended March 31, 2016 is other income of $5,000 on the sale of the exploration licenses.

(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).

During the nine months ended March 31, 2016, the Company sold its stake in the Brustad River Uranium Property for total proceeds of $12,000. Included in the statements of loss and comprehensive loss for the three and nine months ended March 31, 2016 is other income of $1,000 on the sale of the Brustad River Uranium Property.

(b) USA:

The Company's remaining exploration and evaluation assets in the USA consists of a 1.07% working interest in the Wiley Unit property (Colorado, USA). During the nine months ended March 31, 2016, the Company assigned its interest in the Wiley Unit to the operator of the property, Augustus Energy Partners II, LLC., a private USA company, for settlement of all outstanding net liabilities effective December 31, 2015. Included in the statements of loss and comprehensive loss for the three and nine months ended March 31, 2016 is other income of $10,953 on the assignment of the USA exploration and evaluation asset.

(c) Argentina:

The Company had a 25% interest in the Vaca Mahuida Block in the Province of Rio Negro, Argentina. During the year ended June 30, 2014, the Company had agreed to relinquish its 25% working interest to Petrolifera Petroleum (Americas) Limited Sucursal Argentina ("Petrolifera"), the operator of the Block for net cash consideration of US$805,530 which would settle all outstanding liabilities. The relinquishment was 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 which has been outstanding for over five years and relinquished its interest in the Block or assigned its interest to the remaining partners in the Block. As at December 31, 2014, 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.

In December 31, 2015, the Company relinquished its interests in Argentina for nil and was released of all present and future liabilities.

Results of Operations

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

	Quarter ended			
	March 31, 2016	**December 31, 2015**	**September 30, 2015**	June 30, 2015
Net investment gains (losses)	**$ (528,472)**	**$ (1,027,952)**	**$ (4,251,665)**	$ 561,044
Net profit (loss) for the period	**(743,195)**	**(1,253,771)**	**(4,572,870)**	161,143
Total comprehensive income (loss) for the period	**(741,671)**	**(1,254,328)**	**(4,578,200)**	74,040
Earnings (loss) per share based on loss for the period – basic and diluted	**(0.01)**	**(0.01)**	**(0.04)**	0.00
	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
Net investment gains (losses)	$ (272,049)	$ (1,328,016)	$ (568,029)	$ 290,489
Net profit (loss) for the period	(677,660)	(2,670,510)	(2,767,253)	(10,943,929)
Total comprehensive income (loss) for the period	(509,706)	(2,584,450)	(2,601,876)	(11,296,308)
Earnings (loss) per share based on loss for the period – basic and diluted	(0.01)	(0.02)	(0.02)	(0.08)

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

Three months ended March 31, 2016 and 2015:

For the three months ended March 31, 2016, the Company generated net realized losses on disposal of investments of $518,292, as compared to nil for the three months ended March 31, 2015. The net realized losses in the current quarter was primarily a result of the disposition of the Company's remaining investment in Titanium Corporation Inc.

For the three months ended March 31, 2016, the Company recorded a net change in unrealized losses on investments of $10,180 as compared to $272,049 for the three months ended March 31, 2015. 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 $204,741 offset by the reversal of previously recognized net unrealized losses on disposal of investments of $194,561. For the three months ended March 31, 2015, the unrealized losses related to the net write-down to market on the Company's investments.

For the three months ended March 31, 2016, the Company recorded interest and other income of $16,953 as compared to $56 for the three months ended March 31, 2015. For the current period, other income is composed of gains on sale of exploration and evaluation assets.

For the three months ended March 31, 2016, operating, general and administrative expenses decreased by $195,251 to $231,676 from $426,927 for the three months ended March 31, 2015. The decrease was primarily due to a decrease in salaries, consulting and administrative fees offset by an increase in transaction costs and operating lease payments as discussed below.

The following is the breakdown of the Company's operating, general and administrative expenses for the indicated three month periods ended March 31. Details of the changes follow the table:

	2016	2015
Salaries, consulting and administrative fees (a)	**$ 160,450**	$ 485,633
Operating lease payments (b)	**21,269**	-
Travel and promotion (c)	**13,935**	215
Other office and general	**13,674**	11,246
Other employment benefits	**9,225**	3,292
Professional fees (d)	**5,458**	46,544
Transaction costs	**3,283**	4,172
Shareholder relations, transfer agent and filing fees	**2,879**	8,750
Foreign exchange loss (gain) (e)	**1,441**	(76,292)
Exploration and evaluation expenses (f)	**62**	(58,886)
Stock-based compensation expense (g)	**-**	2,253
	$ 231,676	$ 426,927

(a) Salaries, consulting and administrative fees decreased by $325,183 for the three months ended March 31, 2016 as compared to the three months ended March 31, 2015. 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. In the prior year period, salaries, consulting and administrative fees also included termination payments totaling $247,750 made under consulting agreements with the former Vice-President Legal & Corporate Affairs and the Company's General Counsel.

(b) 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.

Effective January 1, 2016, the monthly office premise lease payments increased to $7,090 per month due to an increase in the building operating costs.

(c) Travel and promotion Transactions costs increased by $13,720 for the three months ended March 31, 2016 as compared to the three months ended March 31, 2015, primarily due to an increase in travel for the Company's investment activities.

(d) Professional fees decreased by $41,086 for the three months ended March 31, 2016 as compared to the three months ended March 31, 2015, primarily due to a decrease in legal fees for the Company's foreign subsidiaries.

(e) During the three months ended March 31, 2016, the Company had a foreign exchange loss of $1,441 as compared to foreign exchange gain of $76,292 for the three months ended March 31, 2015. The Company experienced a foreign exchange loss 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 assets.

(f) Exploration and evaluation expenses increased by $58,948 for the three months ended March 31, 2016 as compared to the three months ended March 31, 2015. In the prior year period, 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.

(g) Stock-based compensation expense was nil for the three months ended March 31, 2016 as compared to the three months ended March 31, 2015. During the current period, there were no options granted and the current options outstanding are fully vested and expensed.

Net loss for the three months ended March 31, 2016 was $743,195 ($0.01 per share) as compared to $677,660 ($0.01 per share) for the three months ended March 31, 2015.

For the three months ended March 31, 2016, the Company recorded a gain from the exchange differences on translation of foreign operations of $1,524 resulting in total comprehensive loss for the period of $741,671. 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 decreased the Canadian dollar value of the Company's U.S. dollar denominated net liabilities held by foreign subsidiaries. For the three months ended March 31, 2015, the Company recorded a gain from the exchange differences on translation of foreign operations of $167,954 resulting in total comprehensive loss for the period of $509,706.

Nine months ended March 31, 2016 and 2015:

For the nine months ended March 31, 2016, the Company generated net realized losses on disposal of investments of $6,451,450, as compared to $377,387 for the nine months ended March 31, 2015. The net realized losses in the current period was a result of the disposition of a significant number of the Company's legacy investments and new investments.

For the nine months ended March 31, 2016, the Company recorded a net change in unrealized gains on investments of $643,361 as compared to a net change in unrealized losses on investments of $1,790,707 for the nine months ended March 31, 2015. Of the net change in unrealized gains on investments in the current period, $2,673,770 related to the reversal of previously recognized net unrealized losses on disposal of investments offset by the net write-down to market on the Company's investments of $2,030,409.

For the nine months ended March 31, 2016, the Company recorded interest and other income of $41,087 as compared to $73,532 for the nine months ended March 31, 2015. In the current period, other income consisted of $24,000 in consultancy income, $16,953 gain from sale of exploration and evaluation assets, with the balance in interest income which is primarily composed of interest earned on deposits in broker accounts. In the prior year period, other 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 2014 by the Agencia Nacional de Hidrocarburos ("ANH"), the oil and gas agency of the Colombian government.

For the nine months ended March 31, 2016, operating, general and administrative expenses decreased by $233,829 to $774,111 from $1,007,940 for the nine months ended March 31, 2015. The decrease was primarily due to a decrease in salaries, consulting and administrative fees and a decrease in professional fees offset by a decrease in foreign exchange gain, as discussed below.

The following is the breakdown of the Company's operating, general and administrative expenses for the indicated nine month periods ended March 31. Details of the changes follow the table:

		2016		2015
Salaries, consulting and administrative fees (a)	**$**	**487,147**	$	960,099
Transaction costs (b)		**85,446**		12,296
Operating lease payments (c)		**62,993**		-
Other office and general		**54,992**		68,016
Shareholder relations, transfer agent and filing fees (d)		**26,793**		48,806
Other employment benefits		**21,692**		11,264
Professional fees (e)		**20,883**		176,514
Travel and promotion (f)		**18,674**		7,680
Exploration and evaluation expenses (g)		**1,811**		(46,384)
Stock-based compensation expense (h)		**-**		17,297
Foreign exchange gain (i)		**(6,320)**		(247,648)
	$	**774,111**	$	1,007,940

(a) Salaries, consulting and administrative fees decreased by $472,952 for the nine months ended March 31, 2016 as compared to the nine months ended March 31, 2015. The decrease was due to a reduction of consultants and the termination of administrative fees ($12,000/month) effective March 31, 2015. In the prior year period, salaries, consulting and administrative fees also included termination payments totaling $247,750 made under consulting agreements with the former Vice-President Legal & Corporate Affairs and the Company's General Counsel.

(b) Transactions costs increased by $73,150 for the nine months ended March 31, 2016 as compared to the nine months ended March 31, 2015, due to an increase in the volume of trading conducted by the Company during the current period. 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. Effective January 1, 2016, the monthly office premise lease payments increased to $7,090 per month due to an increase in the building operating costs.

(d) Shareholder relations, transfer agent and filing fees decreased by $22,013 for the nine months ended March 31, 2016 as compared to the nine months ended March 31, 2015, due a decrease in the number of filings and press releases issued from a decrease in oil & gas business activities and a decrease in the annual shareholder's meeting costs.

(e) Professional fees decreased by $155,631 for the nine months ended March 31, 2016 as compared to the nine months ended March 31, 2015, primarily due to professional fees accrued in the prior period by the Company's branch in Colombia for the filing of tax refunds.

(f) Travel and promotion increased by $10,994 for the nine months ended March 31, 2016 as compared to the nine months ended March 31, 2015, due to an increase in traveling related to the Company's investment activities.

(g) Exploration and evaluation expenses increased by $48,195 for the nine months ended March 31, 2016 as compared to the nine months ended March 31, 2015. In the prior year period, 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.

(h) Stock-based compensation expense decreased by $17,297 for the nine months ended March 31, 2016 as compared to the nine months ended March 31, 2015. During the current period, there were no options granted and the current options outstanding are fully vested and expensed.

(i) During the nine months ended March 31, 2016, the Company had a foreign exchange gain of $6,320 as compared to $247,648 for the nine months ended March 31, 2015. The Company experienced a foreign exchange gain 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 assets.

For the nine months ended March 31, 2015, the Company recorded an impairment on exploration and evaluation assets of $2,982,756 (nil in the current period). In the prior year period, 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.

For the nine months ended March 31, 2015, the Company recorded an income tax expense of $30,165 (nil in the current period). The income tax expense was due to the recording of an accrual of minimum income tax payable due in Colombia.

Net loss for the nine months ended March 31, 2016 was $6,569,836 ($0.05 per share) as compared to $6,115,423 ($0.05 per share) for the nine months ended March 31, 2015.

For the nine months ended March 31, 2016, the Company recorded a loss from the exchange differences on translation of foreign operations of $4,363 resulting in total comprehensive loss for the period of $6,574,199. 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 period, which increased the Canadian dollar value of the Company's U.S. dollar denominated net liabilities held by foreign subsidiaries. For the nine months ended March 31, 2015, the Company recorded a gain from the exchange differences on translation of foreign operations of $419,391 resulting in total comprehensive loss for the period of $5,696,032.

Cash Flows
Nine months ended March 31, 2016 and 2015:

During the nine months ended March 31, 2016, the Company used cash of $2,556,685 in operating activities as compared to $1,753,971 during the nine months ended March 31, 2015. During the nine months ended March 31, 2016, the Company had proceeds from disposition of investments of $8,675,965 as compared to $423,744 during the nine months ended March 31, 2015. During the nine months ended March 31, 2016, the Company purchased $10,985,615 of investments, an increase of $8,749,842, when compared to $2,235,773 of investments purchased during the nine months ended March 31, 2015, reflecting an increase in investing activities.

During the nine months ended March 31, 2016, net cash generated from investing activities was $2,618 as compared to cash used of $879,322 during the nine months ended March 31, 2015. During the nine months ended March 31, 2016, the Company spent cash on expenditures on exploration and evaluation assets of $11,000 as compared to $879,322 during the nine months ended March 31, 2015, a decrease that continues to reflect the Company's decreased exploration and evaluation activities. During the nine months ended March 31, 2016, the Company also had proceeds of $17,000 from the sale of exploration and evaluation assets.

For the nine months ended March 31, 2016, the Company had a net decrease in cash of $2,554,067 as compared to $2,633,293 for the nine months ended March 31, 2015. For the nine months ended March 31, 2016, the Company also had a loss from the exchange rate changes on its foreign operations' cash balances of $4,363, leaving a cash balance of $20,709 as at March 31, 2016 as compared to an exchange loss of $79,154, leaving a cash balance of $2,664,836 as at March 31, 2015.

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 nine months ended March 31, 2016.

The following is segmented information for the nine months ended March 31, 2015 and as at June 30, 2015:

	Nine months ended March 31, 2015		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	$ 73,532	$ (2,859,044)	$ 3	$ 8,697,392	$ 8,697,395
Israel	-	12,560	-	-	-
United States	-	(2,059,236)	-	22,569	22,569
Colombia	-	(266,639)	-	-	-
Argentina	-	(941,210)	-	6,524	6,524
Brazil	-	(1,854)	-	42	42
	$ 73,532	$ (6,115,423)	$ 3	$ 8,726,527	$ 8,726,530

Liquidity and capital resources:

Consolidated statements of financial position highlights	**March 31, 2016**	June 30, 2015
Cash	**$ 20,709**	$ 2,579,139
Investments, at fair value	**1,952,888**	5,451,327
Exploration and evaluation assets	**3**	3
Total assets	**2,063,971**	8,726,530
Total liabilities	**158,382**	246,742
Share capital and contributed surplus	**121,152,353**	121,152,353
Foreign currency translation reserve	**615,745**	620,108
Deficit	**(119,862,509)**	(113,292,673)
Working capital	**1,887,001**	8,461,640

The Company has significantly reduced all of its liabilities since June 30, 2015. As at March 31, 2016, total liabilities include $115,879 owing to the Company's Chief Executive Officer and Chief Financial Officer for accrued consulting fees since January 16, 2016. The Company also has consulting agreements with these officers aggregating $35,750 per month and effective in January 2016, these fees will be accrued but not paid to conserve the Company's cash position. As at March 31, 2016, total liabilities also include $17,401 accrued for the winding down of its subsidiaries in Barbados.

The Company's cash and investments as at March 31, 2016 would be sufficient to meet the Company's current liabilities. As at March 31, 2016, the Company had working capital of $1,887,001 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 of $5,808,089 on the Company's investment portfolio during the nine months ended March 31, 2016.

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, increased to $7,090 effective January 1, 2016) 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.

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 and nine months ended March 31 were as follows:

	Three months ended March 31,		Nine months ended March 31,	
Type of expense	**2016**	2015	**2016**	2015
Salaries and consulting fees	**$ 107,250**	$ 107,250	**$ 321,750**	$ 321,750
Other short-term benefits	**4,900**	-	**11,424**	4,526
Stock-based compensation expense	**-**	1,447	**-**	13,475
	$ 112,150	$ 108,697	**$ 333,174**	$ 339,751

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 March 31, 2016, 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 nine months ended March 31, 2016. 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 March 31, 2016.

Risk management:

The investment operations of Brownstone's business involve the purchase and sale of securities and, accordingly, a 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 and currency risks. The Company's risks are described in its annual MD&A for the year ended June 30, 2015 which can be found on SEDAR (www.sedar.com). Additional risks not currently known to the Company or that are currently believed to be immaterial, may also affect and negatively impact the Company's business. A discussion of the Company's use of financial instruments and their associated risks is provided below.

(a) Market risk:

There were no changes in the way the Company manages market risk during the nine months ended March 31, 2016.

The following table shows the estimated sensitivity of the Company's after-tax net loss for the three and nine months ended March 31, 2016 from a change in the closing trade price of the Company's investments with all other variables held constant as at March 31, 2016:

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%	**$ 33,883**	**$ (33,883)**
4%	**67,765**	**(67,765)**
6%	**101,648**	**(101,648)**
8%	**135,530**	**(135,530)**
10%	**169,413**	**(169,413)**

The following table shows the estimated sensitivity of the Company's after-tax net loss for the three and nine months ended March 31, 2015 from a change in the closing trade price of the Company's investments with all other variables held constant as at March 31, 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%	$ 58,153	$ (58,153)
4%	116,306	(116,306)
6%	174,459	(174,459)
8%	232,612	(232,612)
10%	290,764	(290,764)

(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:

	March 31, 2016	June 30, 2015
Denominated in U.S. dollars:		
Cash	**$ 4,465**	$ 1,042,586
Due from brokers	**15**	363,757
Prepaids and receivables	**-**	6,550
Accounts payable and accrued liabilities	**(21,130)**	(130,364)
Net assets denominated in U.S. dollars	**(16,650)**	1,282,529
Denominated in Brazilian reals:		
Cash	**38**	42
Net assets denominated in Brazilian reals	**39**	42
Denominated in Argentinean pesos:		
Cash	**-**	6,524
Net assets denominated in Argentinean pesos	**-**	6,524

The following table shows the estimated sensitivity of the Company's total comprehensive loss for the three and nine months ended March 31, 2016 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 March 31, 2016:

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%	**$ (245)**	**$ 245**
4%	**(490)**	**490**
6%	**(734)**	**734**
8%	**(979)**	**979**
10%	**(1,224)**	**1,224**

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)

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.

Valuation of privately-held investments:

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 the Company's private investment portfolio, such changes are not expected to have a material impact on the consolidated financial condition or operating results. For the nine months ended March 31, 2016, the Company had a net change in unrealized losses on investments of $342,501 relating to its private company investments.

Estimate of recoverable fair value on exploration and evaluation assets:

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 nine months ended March 31, 2015, the Company recorded an impairment of $2,982,756 (nil for the current period) on its exploration and evaluation assets to its net realizable value.

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 nine months ended March 31, 2016, there were no stock options granted by the Company.

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 March 31, 2016 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 the date of this MD&A, 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	**5,365,000**
Total diluted common shares	**135,159,289**

Refer to note 7 of the notes to the interim condensed consolidated financial statements as at and for the three and nine months ended March 31, 2016 for details of the Company's share capital as at March 31, 2016.

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.